



Proceedings of the Tenth Conference
of Registrars of Co-operative
Societies in India

Held at Simla on Friday, Saturday
and Monday, the 28th and 29th
September and 1st October
1928

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LIST OF MEMBERS.

Madras.

1. The Hon'ble Mr. V. RAMADAS PANTULU.
2. Mr. T. S. BALAKRISHNA IYER.
3. Mr. H. M. HOOD, I.C.S.
4. Rao Bahadur K. DEIVASI KHAMANI MUDALIAR.

Bombay.

5. Sir DALUBHAI SANALDAS MEHTA, Kt., C.I.E.
6. Khan Bahadur AZIM KHAN (Sind).
7. Mr. V. S. BHIDE, B.A., LL.B. (Cantab.), Bar.-at-Law, I.C.S.

Bengal.

8. Rai Bahadur JAMINI MOHAN MITRA, M.A., *President*.
9. Rai Sahib SUSIHL KUMAR GANGULI, B.A.
10. Khan Bahadur Maulvi HEMAYAT-UD-DIN AHMAD.

United Provinces.

11. Mr. P. M. KHAREGAT, I.C.S.
12. Rai Bahadur Pandit SANKATA PRASAD BAJPAI Sahib, M.L.C.
13. Pandit BRIJ BHUKHAN LAL SHARMA.

Punjab.

14. Mr. M. L. DARLING, I.C.S., *Secretary*.
15. Mr. R. J. S. DODD, I.C.S.
16. Malik NOOR MOHAMMAD KHAN.

Burma.

17. Mr. C. W. DUNN, C.I.E., I.C.S.
18. U Ba MAUNG.

Bihar and Orissa.

19. Rai Bahadur DURGA PRASAD.
20. Rev. Mr. HODGE.

Central Provinces.

21. Mr. C. M. TRIVEDI, I.C.S.
22. Mr. K. P. PANDE.
23. Rao Bahadur K. V. BRAHMA, M.B.E.

Assam.

24. Rai Bahadur RADHA NATH PHUKAN.
25. Rai Bahadur K. L. BARUA.

North-West Frontier Province.

26. Sh. QUDRATULLA,

Ajmer-Merwara.

26a. Sardar KARTAR SINGH.

DELHI.

27. Ch. NARAIN SINGH, B.A., LL.B.

INDIAN STATES.

Baroda.

28. Mr. R. R. PAWAR.

Cochin.

29. Mr. R. A. GAYATRINATHA AYYAR, B.A.

Hyderabad (Deccan).

30. Mr. B. A. COLLINS, I.C.S.

31. Rai Bahadur S. VENKATA REDDY.

32. Mr. S. FAZALULLA.

Indore.

33. Rao Sahib S. L. TAMBE.

34. Mr. S. M. DHARMA.

Jammu and Kashmir.

35. Mr. ABDUL MAJID KHAN.

Mysore.

36. Mr. K. H. RAMAYYA.

37. Mr. S. KRISHNA RAO.

Patiala.

38. Sardar SALIGRAM HOON.

39. Mr. Mohd. BASHIR AHMAD.

Travancore.

40. Mr. R. VAIDYALINGAM PHILAI, B.A., B.L.

The Hon'ble Mr. Setu Ratnam Ayyar, the Hon'ble Sir Saiyid Mohammad Fakhruddin and the Hon'ble Sir Syed Mohammad Saadullah, Ministers to the Governments of Madras, Bihar and Orissa and Assam respectively were also present. E. C. Ansorge, Esq., I.C.S., and Dr. D. Clouston, C.I.F., M.A., D.Sc., attended as visitors.

Mr. M. L. Darling, I.C.S., with the permission of the Government of the Punjab, was the Secretary of the Conference.

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Finance.

Suggested by

Co-ordination between the Co-operative and Agricultural Departments.

16. Should a special officer of the grade of a Deputy Director of Agriculture be appointed to work under the Registrar to assist in developing the various agricultural activities of the co-operative department ? (xiii 38). Assam, United Provinces and Kashmir.

17. Can co-operative agency be further developed in the distribution of seed ? (iv 50). United Provinces, Central Provinces and Mysore.

18. Can closer co-ordination be secured between the Co-operative and Agricultural departments in—

(a) demonstration and teaching,

Central Provinces,

(b) the grading and standardising of produce ?

Cochin.

Supervision, Education and Audit.

19. Should central banks take any part in the supervision of their affiliated societies ? (xiii 14). Bombay, Central Provinces, Bihar and Orissa, Hyderabad and Kashmir.

20. Should a supervising agency be provided by federating primary societies into a supervising union ? (xiii 27). Bihar and Orissa and Bombay.

21. Should the statutory cost of audit ordinarily be borne by a society ? If so, should the cost of education and supervision be borne mainly by Government ? (xiii 17). Bombay, Punjab, Central Provinces, Bihar and Orissa and Travancore.

22. Should Government give a larger contribution to the expenses of the movement in the case of—

(a) backward tracts,

Punjab.

(b) Women's societies ? (xiii 15).

23. What steps should be taken to build up a highly educated and well-trained official staff ? (xiii 5, 11 and 13). Bombay, Mysore, Assam, Kashmir and Baroda.

Miscellaneous.

24. Should the consolidation of holdings be attempted by co-operation or by legislation ? (v 15, 20). Baroda and Kashmir.

25. How can the Co-operative Department best take up the work of village re-construction with a view to improving—

(a) sanitation (xiv 24),

(b) the position of women (xiv 29 and 30),

(c) the condition of the depressed classes (xiv 32), and

(d) the amenities of village life (xiv 23, 28 and 31) ?

26. Are the powers of Registrars for controlling societies adequate ? Assam.

27. Are co-operative societies for a single purpose to be preferred to multiple purpose societies ? (xiii 30). Travancore and Cochin.

PROCEEDINGS OF THE TENTH CONFERENCE OF REGISTRARS
OF CO-OPERATIVE SOCIETIES HELD AT SIMLA ON FRIDAY,
SATURDAY AND MONDAY, THE 28TH SEPTEMBER, 29TH
SEPTEMBER AND 1ST OCTOBER 1928.

Friday, the 28th September 1928.

The Hon'ble Sir Muhammad Habibullah in opening the proceedings said :—

“ It gives me great pleasure to welcome you to the summer capital of the Government of India. The Tenth Conference of Registrars of Co-operative Societies and of others interested in the co-operative movement was to have met last June. It had to be postponed owing to the desirability of including in the deliberations the important recommendations affecting the co-operative movement made by the Royal Commission on Agriculture. I am glad that it has been found possible to convene it a few days before the meeting of representatives of Local Governments whom the Government of India have invited to meet in Simla on October 1st to consider the more important proposals made in the Report of Lord Linlithgow and his colleagues. Your views on the Commission's recommendations which are included in your agenda will, I feel sure, be of the utmost value to the Agricultural Conference. I need not dilate, Gentlemen, on the value of these meetings of which the present, as I have already stated, is the Tenth. They afford an invaluable opportunity for taking stock of the general co-operative position, for reviewing the progress made and the difficulties to be overcome, for exchanging impressions and opinions and concerting plans for the future. As successive Committees and Commissions have pointed out, the co-operative movement is pregnant with beneficent possibilities for the country. I sincerely hope that it has also a great future before it. If that future is to be as fruitful as we wish it to be, if the movement is to play its proper part in the uplift of the agricultural population in India, the more often those engaged in this branch of national activity come together the better.

Gentlemen, I shall not presume to discourse to you on matters of which each one of you is, I am sure, an accomplished master. Mine is the knowledge of the amateur though, as one deeply solicitous of the welfare of the cultivator, and as Member in charge of the Department of the Government of India in which both Co-operation and Agriculture are included, my interest in the subject is earnest and profound ; but it often happens that the views of the layman, however, defective in technical perfection are not devoid of some value. They help to keep the expert in touch with the wishes and requirements of the lay public whose interest the expert serves. It is in this spirit that I venture to make a few general observations for your consideration.

One of the most significant conclusions which can be drawn from a perusal of the Report of the Royal Commission on Agriculture is the vital importance to the agriculturist of the Co-operative movement. Whether it is finance, which is the life-blood of every material activity, or the marketing of agricultural produce or the organisation on a basis of joint endeavour of agricultural operations or of the amenities of rural life, Co-operation can be a most helpful and progressive factor. The Commission have emphasised this in more than one chapter of their Report. They have also made suggestions as to how the two departments can be brought into closer and more harmonious relations. I have no doubt that these proposals will receive careful consideration at your hands. Any concrete proposals which you can put forward to extend the scope of the co-operative principle in the treatment of rural problems will prove of material help in promoting the well-being and prosperity of those who live in a rural environment and whose mainstay is agriculture. This aspect of the matter is doubtless clear to you all. In drawing attention to it I may even be risking a statement of the obvious ; but I feel that it is one of those self-evident propositions which lose nothing by repetition. I notice from your Agenda that you will give special consideration to the Commission's recommendations on the subject of Land Mortgage Banks. This is a subject in which, to judge only by the attention which it constantly receives from the Legislature in the shape of Resolutions and questions, public interest is considerable. It is also a subject in regard to which the formulation of a sound policy is essential to advance. The Commission, I am glad to note, have endorsed the Resolution which you passed in regard to the matter at your last meeting, but they have a number of suggestions which require careful examination. Land Mortgage Banks are intended to play the same part in the affairs of the landed proprietor as the Co-operative Credit movement in the form in which it exists in most Provinces to-day plays in the life of the cultivating tenant. If agriculture is to progress, facilities for securing funds for productive activities must be found both for the landed proprietor and the ryot. The two are actually indispensable partners in a common enterprise. It is, therefore, hoped that the future of land mortgage banks will receive your special attention. The question bristles with difficulties, but difficulties exist only to be removed. No body of men perhaps in India is better qualified than you to suggest means of overcoming the obstacles that may stand in the way of sound and steady progress. The Government of India, and I am sure, all Local Governments will await with expectation the results of your deliberations on the subject. You are doubtless concerned with other matters besides those to which I have referred, but I do not propose to detain you with comments on these. The time at your disposal is limited and you must be anxious to get on with the serious business of the day. I shall again repeat my expression of welcome to you all and wish the Conference

an interesting and fruitful session. As the Agricultural Conference which opens on the 1st of October will be greatly interested in the conclusions which you reach regarding those recommendations of the Commission which are included in your Agenda, I hope that you will consider these items first. It is our intention to place these conclusions before the other Conference so as to give the Hon'ble Ministers and other provincial delegates an opportunity of considering them jointly. This will materially help them and the Governments whom they represent in determining in what manner and stages and how far the principles and practice of the Co-operative movement can be enlisted to further that synthetic work of rural reconstruction which, as the Royal Commission has pointed out, is essential to the uplift of the agriculturist in India. And now, Gentlemen, I shall leave you to your business. It is a matter of regret to me that I cannot be present with you throughout but other duties call me elsewhere and I am sure that to guide your deliberations you can and will choose from among you some one far better versed in the subjects which you have met to discuss than I can ever hope to be. I have used the phrase "chosen from among you" advisedly in regard to the selection of your Chairman. The pre-war practice was that the Secretary to the Government of India in the late Department of Revenue and Agriculture had this honour. Later it fell to the Senior Provincial Registrar present. I think that there are advantages in leaving it to each Conference to elect its own Chairman and I commend this suggestion to you for consideration.

So if you fall in with my suggestion, the first business will be the election of a Chairman."

Mr. H. M. Hood (Madras) : May I propose, Sir, that Mr. Mitra, the Senior Registrar, preside on this occasion.

The proposal was carried and on the Hon'ble Sir Muhammad Habibullah vacating the Chair it was assumed by Mr. Mitra.

Mr. Mitra said :—

I thank you for the honour you have done me by electing me as the President of the Tenth Conference of Registrars of Co-operative Societies. I realise that I owe the honour to the fact that I am the most senior among the Registrars present here to-day and that I can claim a longer association with the movement than most of you present here to-day. All the same I can assure you that I greatly appreciate the compliment which you have paid me.

We have just listened to a most illuminating and inspiring address from the Hon'ble Sir Muhammad Habibullah, and as we have a heavy programme of business before us, I know that you are anxious to get to work at once. I propose, therefore, with your permission to depart from the practice which has hitherto been followed and refrain as President from making any general observations of a lengthy character at this stage. I would, however, like to draw your attention to the most outstanding recommendation of the Royal Agricultural Commission regarding the co-operative movement. The Commission rightly point out that the sole object of the co-operative movement is to make the individual

member of the primary society a better man, a better farmer, and a better citizen by reason of his membership of the village society. If the movement fails in any of these directions, it is bound to fail in its first purpose. The Commission, therefore, rightly stress the necessity of paying more attention to the education of the members than is now the case. And we must educate the educator and we must devise means for the entertainment of a sufficient and efficient staff to undertake the supervision of societies for the purpose of educating the individual member. Different provinces have adopted different systems of supervision. While I deprecate strongly the craze for uniformity which is manifest in certain quarters, I do feel that mutual discussion and interchange of ideas would help us in removing deficiencies where they exist and in strengthening the different systems which have been evolved in the different provinces in the light of local circumstances.

Sir Muhammad Habibullah has pointed out that one of the most important among the various other recommendations of the Commission in which the Government of India and Provincial Governments are particularly interested is the question of the establishment of Land Mortgage Banks and the provision of long term loans. I have not the slightest doubt that your deliberations will help each province to devise a comprehensive scheme either for the establishment of land mortgage banks where they do not already exist or for strengthening the land mortgage movement where it has already been started.

achieve in these two directions, *viz.*, the change in the out-look of the cultivator and the improvement in the standard of his living.

Gentlemen, I think we ought now to select the procedure we should adopt. Mr. Darling suggests, and I agree with him, that we should follow the same procedure as we followed last year and divide into sub-committees.

Mr. Darling : What I venture to suggest is that we should divide into three sub-committees. That is what was done on the last occasion, I understand, and if that were approved I should further suggest that one sub-committee should take up all the resolutions about Land Mortgage Banks which number I think 9—from the first to the seventh and the ninth and tenth. They all deal with Land Mortgage Banks. I think it would be convenient if they were all dealt with by one sub-committee. I would then suggest that the second sub-committee should deal with the subjects coming under the head Co-ordination between the Co-operative and Agricultural Departments and Supervision and Audit. That would give the second sub-committee eight questions. And then the third sub-committee might deal with the remaining resolutions in regard to Finance and the miscellaneous questions. This will give a roughly equal division between the three.

The Conference then proceeded to the election of the various sub-committees.

The following three sub-committees were then elected :

I.—Land Mortgage Banks, etc.

The Honourable Mr. V. Ramadas	
Pantulu	(Madras).
Sir Lalubhai Samaldas	(Bombay).
Mr. M. L. Darling	(Punjab).
U. Ba Maung	(Burma).
Mr. K. H. Ramayya	(Mysore).
Mr. S. Fazalulla	(Hyderabad).
Rev. Mr. Hodge	(Bihar and Orissa).
Sardar Kartar Singh	(Ajmer).
Mr. R. R. Pawar	(Baroda).
Mr. S. R. Hoon	(Patiala).
Rai Bahadur K. V. Brahma	(Central Provinces).
Mr. S. M. Dharma	(Indore).
Khan Bahadur Hemayet-ud-din Ahmad	(Bengal).
Rai Bahadur K. L. Barua	(Assam).
Pundit Brij Bhukhan Lal Sharma	(United Provinces).
Convenor : Mr. M. L. Darling	(Punjab).

The Committee to meet in the Committee Room, Gorton Castle, at 2-30 P.M.

II.—Co-ordination and Supervision Sub-Committee.

Rai Bahadur Durga Prasad	..	(Bihar and Orissa).
Mr. V. S. Bhide	..	(Bombay).
Mr. Mudaliar	..	(Madras).
Mr. C. M. Trivedi	..	(Central Provinces).
Mr. P. M. Kharegat	..	(United Provinces).
Malik Noor Mahommad Khan	..	(Punjab).
Rao Sahib S. L. Tambe	..	(Indore).
Mr. C. W. Dunn	..	(Burma).
Rai Bahadur R. N. Phukan	..	(Assam).
Mr. R. A. Gayatrinatha Ayyar	..	(Cochin).
Ch. Narain Singh	..	(Delhi).
Convenor : Mr. B. A. Collins	..	(Hyderabad).

The Sub-Committee to meet at 2-30 p.m. in the Committee Room in the Assembly Chamber.

III.—Finance and Miscellaneous Sub-Committee.

Mr. R. J. S. Dodd	..	(Punjab).
Rai Sahib S. K. Ganguli	..	(Bengal).
Mr. Abdul Majid Khan	..	(Jammu and Kashmir).
Rai Bahadur S. Venkata Reddy	..	(Hyderabad).
Mr. S. Krishna Rao	..	(Mysore).
Mr. K. P. Pande	..	(Central Provinces).
Rev. Mr. Hodge	..	(Bihar and Orissa).
Mr. R. Vaidyalingam Pillai	..	(Travancore).
Khan Bahadur Azim Khan	..	(Sind).
Mr. K. H. Ramayya	..	(Mysore).
Sh. Qudratulla	..	(N. W. F. Province).
Convenor : Mr. H. M. Hood	..	(Madras).

The Committee to meet at 2-30 p.m. in the Committee Room in the Assembly Chamber.

Saturday, the 29th September 1928.

The Conference met at 2-30 p.m., Mr. J. M. Mitra in the Chair.

Chairman : We propose to begin now, but before doing so I will ask the movers of resolutions and other speakers to be very brief in their remarks. We have a heavy programme and the Agricultural Conference will sit from the day after to-morrow. I am sure you will all co-operate in bringing the proceedings of the Conference to a speedy close. It is

unfortunate that there has been some breakdown in our arrangements. I have not yet been able to get the report of the Land Mortgage Sub-Committee, so I propose to begin with the Co-ordination Sub-Committee. It has not been found possible to have copies of the report circulated beforehand to members, but Mr. Collins will read out his report and then move specific resolutions.

1. Should a special officer of the grade of a Deputy Director of Agriculture be appointed to work under the Registrar to assist in developing the various agricultural activities of the Co-operative Department? (Item 16 of the agenda).

Mr. B. A. Collins (Hyderabad) : After I have read the recommendations of the sub-committee I will say a few words and then put a definite resolution before the Conference. The recommendation of the Sub-Committee is as follows :—

“ The representatives of the Punjab, Bihar and Orissa and Madras are in favour of the appointment of an officer of the grade of Deputy Director of Agriculture under the Registrar to assist in developing the various agricultural activities of the co-operative department. Those of the other provinces and States do not think that the appointment of such officers is needed at any rate at present. The representatives of most provinces consider the appointment of subordinates who have agricultural degrees and experience under the control of the Registrar to be more important. Such officers are doing good work in Bombay and the Central Provinces.”

Some of the Registrars explained to us that they had special subordinates who had taken degrees in agricultural colleges and received a good training under the Agricultural Department. Their duty was to look specifically after agricultural sale societies and all agricultural work in connection with the societies. They were attached to Assistant Registrars who had complete control over them. However close co-operation with the agricultural department might be, their officers have their own duties to do and it is not always possible to get them to visit societies when necessary. The co-operative department must have men for this purpose who understand agriculture. The resolution I beg to place before the Conference is as follows :—

“ This Conference is of opinion that, while the appointment may be necessary in some provinces, it is not generally needed at present, and that the appointment of subordinates who have agricultural degrees and experience under the control of the Registrar is more important.”

Rai Bahadur Durga Prasad (Bihar and Orissa) seconded the resolution.

Mr. K. H. Ramayya (Mysore) : I wish to know whether it is necessary that an officer of the status of a Deputy Director of Agriculture should invariably be appointed to work under the Registrar and to assist in agricultural work. We in Mysore have men trained in agriculture to work under the Registrar. The Deputy Director of Agriculture has now recommended a scheme by which we can get the assistance of two Inspectors who hold degrees but are not of the status of a Deputy Director

to work under me. But the resolution here says that the appointment is not needed at present. The Indian States may feel the necessity of having an officer of the status of a Deputy Director.

The Chairman : I take it that you accept the resolution ?

Mr. Collins read the resolution again, and it was adopted unanimously.

II.—“ *Can co-operative agency be further developed in the distribution of seed ?* ” (Item 17 on the agenda).

Mr. B. A. Collins (Hyderabad) : I am afraid the report of the sub-committee on this subject is rather long. I am unable to put it in the form of a definite resolution, so I merely move that the report be accepted. It is a very difficult subject, and most of the provinces have not gone very far in this direction. We do not therefore feel in a position to make any very definite recommendation. This is the report :—

“ Outside Madras all that the Co-operative Departments have so far done is to assist the Agricultural Departments in distributing seed through the primary societies. Except in the case of a few cotton sale societies in Bombay, the Agricultural Departments grow the seed or arrange for it to be grown and hand it over to primary societies, in some case getting the seed back at harvest with profit. In Bihar and Orissa the central banks, of which there is one in practically every sub-division of a district, take over the seed at harvest, store it, and distribute to their societies, and Government has employed staff to assist in the distribution and made interest-free loans to admit of godowns being erected. On the whole, little has been done. The Agricultural Departments, except in the Central Provinces, where there are 66 seed supplying societies, merely deal direct with village credit societies and no further organisation has been worked out. In Madras two steps in advance have been taken. In the first place, the Agricultural Department deals with supervising unions of 25 societies instead of with the individual societies direct, and secondly, special seed producing societies have been formed, the members of which take loans from central banks and grow seed under strict supervision for the Agricultural Department for whom they make it over to the local unions. The organisation is in its experimental stage at present, but seems to be working all right.

The Sub-Committee after reading the Commission's views and hearing the position in each province and State was impressed with certain points—

- (a) The Agricultural Departments cannot every year grow all the seed required by all the cultivators in the province. All they can do is to arrange for or encourage the production of sufficient pure seed every year, so as to keep the level of the whole supply up to standard.
- (b) Again, unless the seed is produced in a large number of places in each district, the cost of carriage will make the cost of the seed so high to many of the cultivators as to

make its use uneconomical, or at any rate, much less attractive.

- (c) What is essential is that the seed should be grown under strict supervision with profit to the grower at a price which the cultivator can and will pay. It is obvious that in most of the provinces the problem has not yet been seriously tackled. It is only in Madras that a possible solution of the difficulties of finance and organisation seems to have been discovered. It is too early to say whether it will prove successful, but at least it deserves consideration and trial in other places also."

These are the two points that impressed us. One difficulty is the cost of carriage. If you grow seed in only a few central places, the cost becomes too high. The other point is that it is impossible for the Agricultural Department to deal with all the individual co-operative societies direct. Some form of organisation will have to be worked out by which they deal with larger units. In these circumstances we do not feel able to make any very definite recommendation. We have therefore merely emphasized the points of difficulty and said that we think that the experiment made in Madras seems to be worth trying elsewhere.

With these few words I move that the report of the Sub-Committee be accepted.

Mr. Mudaliar (Madras) seconded the motion, which was adopted.

III.—"*Can closer co-operation be secured between the Co-operative and Agricultural departments in—*

(a) *demonstration and teaching.*

(b) *the grading and standardising of produce ?*" (Item 18 on the agenda).

Mr. B. A. Collins (Hyderabad) : With regard to this subject we felt that this was entering into such details that it was impossible to go into all the points which might arise, and therefore we merely say that the resolutions that we have passed on Items 16 and 17 seem sufficient and no further resolution is necessary.

The Chairman : Is it covered by the two subjects ? Are you not going to move a definite resolution on this point ? The Agricultural Conference are very much interested in this subject and it would look awkward if we did not say anything about it.

Mr. K. H. Ramayya (Mysore) : We should say how co-ordination between the Co-operative and Agricultural Departments is getting on. In Mysore we have done this. The Director thinks that the staff of his department should confine themselves to the work of demonstration and experiment. He thinks that all the work that the Agricultural Inspectors are doing should be gradually handed over to the Co-operative Department, so as to free the staff of the Agricultural Department for their legitimate duties of research and experiment. In sending indents to the Agricultural Department for implements, seeds and manure, I have come to some agreement with the Director. Some concession is shown to societies by way of commission, and if the implements are not sold, the

department takes them back. I have also come to some definite settlement as regards the handing over to co-operative societies the depot work. The Agricultural Department has also consented to give us field men, so that they may work in co-operation with the Co-operative Department. We have come to the conclusion that Co-operative Societies should come forward and take over depot work, and that the Agricultural Department should confine themselves to research and experiment work.

Mr. H. M. Hood (Madras) : So far as the co-ordination of the two departments is concerned, it runs on practically two lines. We formed a number of co-operative societies, whose duty it is to demonstrate on the societies' land the result of cultivating in accordance with the advice of the Agricultural Department. Technically, from the co-operative point of view, the society is under the co-operative organisation. But its agriculture is done definitely in accordance with the advice of the Agricultural Department. The agricultural officer goes there at intervals, gives them advice, and generally sees that they are carrying it out. It is possible to multiply these societies to a very considerable extent, and that would ultimately result in closer co-ordination of the work of the two departments. So far as their propaganda work in the villages is concerned, the officers of the Agricultural Department are invited to attend every co-operative meeting, and they are asked to do all their propaganda work through the co-operative societies. When they go to a village they get hold of the co-operative society and do their preaching, not to a few individual ryots but to the village society. The distribution of ploughs is done to some extent through the co-operative organisation in that the Director of Agriculture has recognised co-operative supervising unions as his agents for the distribution of agricultural implements, and they have also taken up the distribution of artificial manures, and to a less extent of pure seed. It is possible to bring the two departments closer on these lines, but I don't quite see on what other lines we are able to bring the two departments into closer touch.

Mr. M. L. Darling (Punjab) : I hesitate to make any remarks in regard to this resolution, because in the Punjab, on the whole, we are satisfied with the co-ordination that exists at present between the two departments. The main link between these two departments at present is what we call the better farming society, of which we now have over a hundred. These better farming societies are registered under the Co-operative Societies Act but are advised by the Agricultural Department through a person who is called a *Mokadam* or overseer, a person who has had a certain amount of elementary training in an agricultural college. He is not very expert, but it is hoped that he is more expert than the people he is teaching. Last year we had 24 of these *Mokadams* working in connection with our better farming societies, and these societies were able to distribute to their members nearly 6,000 maunds of wheat and 800 maunds of cotton seed and about 600 improved implements. We hope to develop these farming societies very considerably in the next five years.

Another link between the two departments is the conferences that we hold in every tahsil throughout the province. At these conferences we invite the co-operation of local representatives of the Agricultural Department, and they very gladly respond and give lectures on their subject.

These are the two main forms of co-ordination between the two departments. The only improvement that I think could be suggested is that perhaps a Deputy Director might be placed under the orders of the Registrar for co-ordinating all this work. Personally I feel that I know very little about agriculture and would be glad of expert assistance in regard to these hundreds of societies that are likely to grow pretty rapidly. When that is done, it is difficult to say what the next step should be.

As regards the second point, we have so far been able to do nothing. It is a problem that we have not been able to tackle, as at present we have only 21 sale commission societies and they are still struggling with the elementary difficulties of their work. It is therefore difficult for me to express an opinion, but my impression is that we shall not be able to do very much without the help of the Agricultural Department, and when we are in a position to deal with the problem we shall have to seek closer co-operation with the department.

Mr. C. M. Trivedi (C. P.) : Sir, the position with regard to co-ordination between the Co-operative and Agricultural Departments is, speaking generally, satisfactory in the Central Provinces. There are various ways in which the two departments co-operate with one another. In the first place, we have a system of what is known as rallies in which six or seven members of primary societies meet together once a year. These rallies are also attended by non-members. We held about 300 rallies last year and the officers of the Agricultural Department attended many of these village gatherings and delivered lectures on the importance of pure seed, improved agricultural implements and generally on improved methods of cultivation. And, as already stated, we have some cotton sale societies which are supervised by agricultural assistants placed at the disposal of the Registrar of Co-operative Societies. We have also got some special seed societies, which are also supervised by agricultural assistants. Further, we have also got agricultural associations, generally confined to the limits of a taluk or tahsil. The main function of these associations is the sale or hire of improved agricultural implements, sale of seed, fertilisers and manures. These agricultural associations, a good many of which are registered under the Co-operative Societies Act, are supervised by the local agricultural assistants. In addition to this the staffs of Central Banks and the Government staff in the Co-operative Department arrange whenever possible joint tours with agricultural assistants. After consultation with the Director of Agriculture we have developed a system of informal consultations between the officers of the Co-operative Department of all grades and the officers of the Agricultural Department of all grades. I personally meet the Director of Agriculture several times in the year. I personally meet the Deputy Director and Extra Assistant Directors of Agriculture and the Deputy Directors and officers of the Co-operative Department. Similarly, the staff officers of the Co-operative Department meet those of corresponding grade of the Agricultural Department. We have also a series of meetings within the area of operations of each Central Bank for exchange of paganda by the Agricultural Department.

That is in brief the position in the Central Provinces. What we would like to do is to systematise some of these arrangements which are informal; for instance, the arrangement for the exchange of paganda by the Agricultural Department.

officers of the two departments. After this arrangement has been working informally for some time I think we will be in a position to systematise it as the tradition of co-ordination is developed.

As regards grading and standardising, I may say that we have 5 cotton sale societies, but I regret to say we have not been able to do anything much in regard to grading and standardising produce. Our main difficulty is that the volume we deal with is so small. That is all I have to say, Sir.

Mr. V. S. Bhide (Bombay) : In Bombay, Sir, our first agency is the Taluk Development Association. The work of these associations has been described in the report of the Commission and this method of organization has been recommended. The principal idea of the Taluk Development Association is that the local co-operative and agricultural officers should be members of the association, together with revenue officers and other local people who take an interest in co-operation and agriculture. There are also other individual members. The Associations get their funds by way of subscriptions from members and a grant of approximately Rs. 1,000 per association from Government. They employ a man called a fieldman, who I think roughly corresponds to what is described as a *Mukadam*. This fieldman helps the landholders of the taluk in the adoption of improved methods of agriculture which are recommended from time to time. The work of these Taluk Development Associations and other such activities as regards the popularisation of paddy seed, improved implements, etc., is directed by the Divisional Board, which consists of representatives nominated by the two Departments and also two Departmental officers. The staff of the Divisional Board consists of agricultural organisers. The Divisional Board regulates and controls their work and arranges their programme for the next season. Divisional Board meetings are held at least once a quarter, and the reports of the Divisional Boards go to the Joint Board, which consists of the Registrar of Co-operative Societies and the Director of Agriculture. These two officers meet once a quarter at least to consider the reports of the Divisional Boards. The main function of the Joint Board at present consists of sanctioning Government grants to the Taluk Development Associations. For the last two or three years, owing to lack of funds, the full grants on the scale of Rs. 1,000 per association have not been found to be practicable, and therefore the work of dividing the available money between the various associations according to the kind and importance of the work they are each doing has to be done by the Joint Board. The Joint Board also gives instructions to the Divisional Boards on subjects discussed in the last quarter. In that way, Sir, the work of co-ordination between the two Departments goes on in Bombay.

As regards grading and standardisation, a good deal of work is being done in the Carnatic, at Gadag and at Hubli, especially the work at Gadag. The Agricultural Department has provided an officer called a Cotton Superintendent. That officer has expert knowledge of the various kinds of cotton that can be profitably grown in that area, and he generally supervises the distribution of seed and also controls the way in which seed is distributed by cotton sale societies. He is able to give those societies very good advice, and as a result of the grading we have been able to increase the premium obtained by the cultivators on the sale of their produce. In that way grading has been found to be very beneficial. A

similar attempt has been made at Hubli, and I think in 1926 about 2,000 dokras of cotton were graded there ; but last year owing to certain difficulties the number of dokras graded by the Agricultural Department has fallen. We are investigating the reasons for this fall and are trying to expand the system prevalent in the Carnatic in other parts of the Presidency.

Mr. K. H. Ramayya (Mysore) : Sir, I forgot to mention that for co-ordination purposes we recommended the appointment of a Development Board with the Member of Government as Chairman, the Registrar of Co-operative Societies as Secretary, and the Director of Agriculture and the Director of Industries and Commerce as members of the Board. In that way the three heads of Departments will be there to discuss the subjects of agricultural and industrial co-operation with the Member in charge. That is the system now working for co-ordination purposes in Mysore.

Rai Bahadur R. N. Phukan (Assam) : (In reply to the Chairman regarding demonstration and teaching). I have two Inspectors of Agriculture who are also Inspectors of co-operative societies. Besides that I have got a Development Board in which all the officers of the Departments concerned, Industries, Agriculture and Co-operation, meet and discuss things and decide how to work. Therefore I have never felt any practical difficulty on account of want of co-ordination between these three Departments.

Mr. P. M. Kharegat (United Provinces) : In our province we have what we call Agricultural Supply Societies. They are something like Central Banks but do not do banking business. They deal with agricultural societies and supply them with agricultural requisites, seed, etc. The difficulty that these supply societies have encountered with the Agricultural Department is that they cannot get enough seed from the Agricultural Department. So that if this problem is to be solved we have to start making our own arrangements for seed production.

Rai Bahadur Durga Prasad (Bihar and Orissa) : Just as in Assam we have in the first place a Provincial Development Board, and we have also for each division Divisional Development Boards. On these Boards the Heads of the various Departments, Agriculture, Veterinary and Co-operation, sit and discuss matters, and in accordance with their recommendations we take action. As regards the work of demonstration and teaching, the Agricultural Department generally carries it out with the help of the Central Banks. A good few of the Central Banks employ Kamadars, who correspond to demonstrators. These men are trained by the Agricultural Department and they do demonstration work on the fields of the cultivators.

As regards grading and standardisation of produce we have done nothing in that direction, but I think there is sufficient co-ordination between the Agricultural and Co-operative Departments.

Chairman : Mr. Collins will now move a Resolution as a result of the discussion we have had and the information we have received.

Mr. B. A. Collins (Hyderabad) : Before I do so I might perhaps give the Conference one piece of information. Dr. Mann, who was responsible for the beginning of the work in Hubli and only left it last year, told me that as a result of his 8 or 9 years' experience he was convinced that no

society for grading of agricultural produce could ever succeed unless a skilled officer of the Agricultural Department or a man thoroughly trained by it was always available for grading. He must be there as an absolutely independent person and not as an employee of the society, otherwise the dealers would have no confidence in his grading. I now, beg to move the following Resolution :—

“ That, in addition to the two Resolutions passed above, this Conference recommends the establishment of local Joint Development Boards on which the Departments of Co-operation and Agriculture should be represented by their chief local officers. The formation of ‘ better farming societies ’ and visits and lectures from officers of the Agricultural Department at meetings of societies and unions are also a promising method. In the case of grading and standardisation it seems essential that an officer of the Agricultural Department or a man trained by it should be available not only in the beginning but continuously.”

A brief discussion ensued on the objection that the composition and unit of jurisdiction of the proposed Joint Development Boards was not specified ; it was also pointed out that the second part of the Resolution should be separated from the first.

Chairman : I will put the first part of the Resolution in an amended form. It will run thus :—

“ The Conference is of opinion that it is possible to secure close co-ordination between the Departments of Co-operation and Agriculture by the formation of societies for the encouragement of better farming or by the utilization of existing societies. The Conference would bring to the notice of Local Governments the success achieved in some provinces by local joint development boards in which the Departments of Co-operation and Agriculture are represented by their respective local officers. Lectures from officers of the Agricultural Department at meetings of societies and unions are also a promising method.”

The Resolution as amended was adopted.

A discussion then ensued as to the wording of the second part of the Resolution regarding grading and standardisation of produce, and the following Resolution was finally put and adopted by the Conference :—

“ The Conference is of opinion that there are not sufficient data before it to come to any conclusion as to how far it is possible to secure co-ordination between the Departments of Co-operation and Agriculture in respect of grading and standardisation of produce, but in the case of cotton such co-ordination may be possible if expert agricultural advisers are employed.”

Mr. S. Fazlullah (Hyderabad) in this connection drew attention to the recommendations of the Agricultural Commission in regard to the employment of Marketing Experts.

The Chairman : It has been suggested that we should now take up those resolutions in which the Agricultural and other Conferences are

interested. So far as Mr. Collins' Sub-Committee is concerned, the other resolutions we have do not affect the other conference. I propose that we should take up the report of the Land Mortgage Sub-Committee and after dealing with it to go back to Mr. Collins' Sub-Committee.

LAND MORTGAGE BANKS.

IV. *Should land mortgage banks be established under the provisions of the Co-operative Societies Act ?* (Item 2 on the agenda).

The Hon'ble Mr. V. Ramadas Pantulu (Madras) said : The first resolution on item 2 of the sub-committee runs thus :—

“ The Conference is of opinion that Land Mortgage Banks should be established under the provisions of the Co-operative Acts now in force in British India and not under separate Acts.”

This resolution involves two implications : First that land mortgage banks can be established on a co-operative basis. Land mortgage banks do not work just on the same lines as societies in which the personal element and the human element very largely preponderate. Land mortgage banks, on the other hand, insist upon the security being sound and the management being efficient. Nevertheless there are, it is felt, many elements of co-operation in a land mortgage bank which make it desirable that it should be also on a co-operative basis. One such element is that the object of the loan is scrutinised by the society. We only give loans for productive purposes and also restrict the loans to the needs of the agriculturist. Secondly, you restrict the dividends just as you do in the case of co-operative societies and eliminate the element of profit. There are various other things which are of a co-operative nature. There is unanimity of opinion in this country that land mortgage credit, though it can be dispensed by joint stock companies, is best dispensed by co-operative concerns, and the Royal Commission on Agriculture is also of that opinion. The first implication is therefore that these societies should be formed on a co-operative basis. The second implication is that these societies can be registered and worked under the existing enactments in force. The Co-operative Societies Act of 1912 distinctly contemplates land mortgage credit. Section 29 only places one restriction on it, namely, that the Local Government may in any special cases direct that a particular society should not deal in land mortgage credit ; otherwise a society can deal in land mortgage credit just as it can deal in personal credit. Therefore the enactment is sufficiently comprehensive to include land mortgage banks in its operation. The matter has been very prominently discussed in the Agricultural Commission's report apparently on account of the attempt made in Burma to start land mortgage banks under a separate enactment altogether. The Burma and Mysore attempts have thrown some doubt on the question whether land mortgage banks can be started and worked under existing enactments. The Royal Commission distinctly pointed out that they can be started and worked under the existing Act and the Sub-Committee were of opinion that the Royal Commission were right and there is really no need to pass any special enactments to start and work land mortgage banks. I am aware, Sir, that there is a feeling that supplementary legislation might be necessary to make these land mortgage banks efficient. But the time has not come, in the opinion of the sub-committee, to empower land mortgage banks with special powers

for the summary recovery of mortgaged debts and to foreclose the mortgage when the debtors are in default. The Committee felt that the ordinary provisions of the Transfer of Property Act will for the present be sufficient. When special legislation is necessary, no doubt supplementary legislation will be undertaken. Another direction in which legislation would be necessary is provision for a satisfactory system of record of rights, without which investigation of title is a matter of very great difficulty in this country. There is one other matter which requires legislation, namely, in order to make these land mortgage banks a success, we ought to make the debentures trustee securities within the meaning of the Trust Act. It may interest members to know that on that matter in the recent session of the Council of State I moved a resolution asking Government to introduce legislation on that subject and Sir Muhammad Habibullah was pleased to accept, on behalf of the Government, my resolution asking Government to take immediate steps to introduce legislation in the Central Legislature. If these two implications are *clearly understood, there will be no difficulty in accepting this resolution* and the recommendation of the Royal Commission as contained in paragraph 382 (Para. was quoted.) The Royal Commission say that they are of opinion that land mortgage banks should be organised under the existing Co-operative Acts and that any modifications, which further experience may indicate to be necessary, should be made as they are called for.

I commend the resolution as framed for the acceptance of the Conference.

U. Ba Maung (Burma) seconded.

Mr. C. W. Dunn (Burma) : I object. I should not like to vote for the resolution if it is intended to rule out special legislation altogether.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : The resolution says that land mortgage banks should be established under the existing Acts ; we accept the recommendation of the Royal Commission.

Mr. M. L. Darling (Punjab) : Would it be too much to ask Mr. Dunn for the grounds of his objection ?

Mr. C. W. Dunn (Burma) : We prepared a special Bill after considerable labour, and I think there are a good many reasons why special legislation is necessary. The gentleman who spoke first on this motion mentioned that special legislation is not required. What we are going to do in Burma is to start land mortgage banks on a small scale under the Burma Co-operative Societies Act of 1927. We contemplate that land mortgage credit shall be regulated in such a way that they will fit into the scheme of the Bill which we have already prepared. I do not think I need go into the details of the Bill ; I think there are a good many points which will require legislation later. I do not think that the permission which the Co-operative Societies Act provides to take mortgage security with the special sanction of the Registrar is sufficient.

Mr. B. A. Collins (Hyderabad) : I suggest the substitution of the word " can " for the word " should " in the resolution.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : " Can be established " will not do.

The Chairman : How would you amend the resolution, Mr. Dunn ?

Mr. C. W. Dunn (Burma) : By cutting out the condemnation of the Burma Land Mortgage Bill. The last portion, namely, ' and not under separate Acts ' should be omitted.

Mr. Collins (Hyderabad) : I second the amendment.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I have very serious objection to the proposed amendment. I oppose the amendment. I take my stand on the recommendation of the Royal Commission, which is very specific. The object of this resolution is that land mortgage banks are to follow strictly co-operative principles. We do not know exactly on what lines the new enactments will be made. We ought to gain by the experience we have in the working of the co-operative organisations and follow the principles of co-operation as embodied in the Act. That is the main idea underlying the recommendation. I will read two more sentences in support of the resolution from the report of the Royal Commission.

' The system of short term credit on co-operative lines has been working long enough in India to provide valuable information on the subject of rural finance ; it has enlisted a large number of honorary workers who are now familiar with the character of the problems that come up for daily decision, and it has called into existence staffs trained in the management and direction of rural organisations. All these will be at the disposal of the land mortgage banks, if they are registered under the same Act and placed under the same Registrar as the ordinary co-operative societies. We recommend that this policy should be adopted and retained until practical experience indicates the need for a change ' We do not know on what principles the organisations will be run if we have a new enactment and we do not know whether they will be in accordance with the principles of co-operation. The Royal Commission, in view of these reasons, used the word ' should '. If Burma wants to have an Act, it is at liberty to amend.

The Chairman : Mr. Dunn does not object to the word ' should ' ; he objects to the words " and not under separate Acts ".

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : The words ' and not under separate Acts ' should be there. Land mortgage banks should be on co-operative lines and principles and worked by the same agency. There is a good deal of connection between co-operative credit organisations and finance. I very strongly object to the removal of the words.

Mr. B. A. Collins (Hyderabad) : If this resolution is passed, it will make it impracticable to organise land mortgage banks with safety in some of the provinces. The whole basis of successful working of land mortgage banks is that there should be absolutely no doubt as to title. The investigation into title may be very difficult indeed, especially in those parts of India which are permanently settled. I strongly oppose the amendment. The Government of Bihar and Orissa have passed a law which provides that there were definite provisions for the investigation of title of the land mortgaged. I think it is possible in Bihar and Orissa to have a law affecting land registration which will not be an object in principle.

all provinces of India ; some gentlemen know one part of India ; and some know another and practically none of them know all. They do not understand the difficulties which exist in other parts. I think it is impolitic and unwise to pass a resolution in such a binding form. Surely what provinces require is our advice and not our orders, and if we put it in a way which will show the weight of opinion, that should be sufficient.

Mr. K. H. Ramayya (Mysore) : The question is not so easy. The Conference must definitely pronounce its opinion whether land mortgage banks established in every province should be on the same lines ; there must be some uniformity. If we branch off and have separate legislation in some cases, we may land ourselves in difficulties. The crux of the matter is the clause "and not under separate Acts". We have taken some steps as in Burma. A Committee in Mysore which considered this subject was of opinion that separate legislation was necessary for establishing land mortgage banks and they also considered it necessary to have a separate Registrar. After full consideration the Committee were of opinion that it was desirable to have separate legislation for these banks. In view of the conclusions of this Committee, we want your considered opinion. The banks should be under the control of a Director of Land Mortgage Banks and he should exercise, with regard to these banks powers similar to those vested in the Registrar under the Co-operative Act.

Sir Lalubhai Samaldas (Bombay) : The Sub-Committee did not insist on the last phrase that has been added afterwards. Some of the members of the Committee insisted that they wanted definite guidance and therefore we added those words. There may be some difficulty, as pointed out by Mr. Ramadas Pantulu, in deleting those words. On the other hand, I think, what Mr. Dunn says is quite correct. Mr. Collins is quite right in saying that this Conference is not for the purpose of issuing orders but for making recommendations. I therefore suggest the dropping of the last words. This may be the rule, but if any province on account of its special conditions, wants special legislation, then the Conference will not object to it.

The Chairman : Would you, Mr. Ramadas, like to accept the following amended resolution :—

"The Conference is of opinion that, in the first instance, it would be preferable to organise land mortgage banks under the Co-operative Societies Act rather than under special legislation."

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I am prepared to accept this, or you may cut out the last few words of the resolution moved by me.

Mr. M. L. Darling (Punjab) : I am certainly much impressed by what Mr. Collins said as to the different circumstances which prevail in different provinces. We did not have the advantage of Mr. Collins' presence in the Sub-Committee and his point of view was not therefore put before us. Otherwise we should have perhaps been more chary of adding these words. I did not realise the great difference between the Punjab, where it is comparatively easy to organise land mortgage banks on co-operative lines, and a province like Bihar and Orissa, where it seems difficult.

That being so, I think this Conference should be careful of the opinion it expresses. We are not entitled to give orders, nor was it our intention to do so.

Accordingly we should be careful in passing a resolution which Governments with peculiar or special circumstances may find difficult to apply. I am quite prepared therefore to accept the amendment that these last five words should be omitted.

Rev. Mr. Hodge (Bihar and Orissa) : I would record my complete agreement with what the Hon'ble Mr. Pantulu has said as to the strong desirability of establishing these Banks on co-operative lines if it is possible to do so. To the reasons added by Mr. Pantulu, I would say that I think the Registrar would find himself in a difficult position if, on the one hand, he had to regard himself as an agent for the development of co-operation, which is a very delicate and difficult form of commercial enterprise, and, on the other hand, had to regard himself as the agent of Government for establishing what would have to be to a very large extent an official organisation and personally, if it is possible to avoid that possibly I should do so.

The Chairman : Then the sense of the Conference is to accept the amendment.

The amendment was unanimously carried. The amended resolution was as follows :—

“ The Conference is of opinion that Land Mortgage Banks should be established under the provision of the Co-operative Acts now in force in British India.”

V. *Is an official member necessary on the managing committee of a land mortgage Bank ?* (Item 3 of the agenda).

Sir Lalubhai Samaldas (Bombay) : I rise to move the following resolution on the subject :—

“ A nominee of Government is necessary on the Managing Committee of a primary land mortgage Bank except where the interests of Government and debenture holders are sufficiently safeguarded by the appointment of a trustee acceptable to Government.”

satisfied to have only one. We had also to decide as to,—what the position would be if Government were also debenture-holders ; and after careful consideration it was decided that Government should have another nominee unless they were satisfied that the debenture-holders' director was a man who was acceptable to Government. That means that if Government thought that the man elected by the debenture-holders was not a man who would be acceptable to Government, they would have the right to have another nominee. That means that there will be two Directors, one representing the debenture-holders and another representing the Government. I therefore move this resolution, which is on the lines recommended by the Agricultural Commission, with certain modifications which the Committee thought were necessary on account of certain special circumstances.

The Chairman : Does anyone wish to propose any amendment ?

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : Sir, in Madras we have about 15 land mortgage banks and not in one of them is there any official nominee. Therefore, I requested the Committee to add the words "except where the interests of the Government and debenture-holders are sufficiently safeguarded by the appointment of a trustee acceptable to Government."

The Chairman : Gentlemen, do you accept this resolution ?

The Resolution was adopted.

VI.—Is Government assistance to land mortgage banks in the form of subscription to their debentures recommended ? (Item 4 on the agenda).

Sir Lalubhai Samaldas (Bombay) : Sir, I move the following resolution on the subject :—

"Government assistance to land mortgage banks in the form of subscriptions to their debentures is recommended while these banks are in their early stages, and assistance is also recommended in the form of loans."

The question whether Government should subscribe to the debentures of land mortgage banks has been considered by the Commission and they have voted against it. They think that Government might guarantee the debentures or should guarantee the debentures of such banks but that it is not necessary that they should subscribe to it. The practice, however, in some of the Provinces I might say is different. In Madras, I believe the Government put in one rupee for one rupee subscribed to the share capital up to a certain maximum. In Bombay, we have gone still further. I want this Conference to consider very carefully whether they want money to reach the agriculturist at as cheap a rate as possible. We in Bombay feel that money should reach the agriculturist at anything between 7 and 8 per cent. I believe Government paper in Bombay is now quoted at Rs. 88, which works out at about 5 per cent. As you are going to have a big central bank, a provincial bank as we may call it, which is empowered to raise these debentures, that Bank will require some percentage of margin before it loans moneys to the primary Mortgage Banks.

We have not yet decided whether that margin should be one-half per cent. or one per cent. Our Registrar wants as low a margin as possible. We think that it might be one per cent. or one and a half per cent. If it is one per cent., it means six per cent. Then the primary Land Mortgage Banks must make a provision of at least one

per cent, as it has to meet the expenses of an inspecting and supervising staff. If Government-guaranteed debentures are necessary, then the question arises whether Government should take any debentures. The Commission decided that it is not necessary. We feel that to inspire confidence in the mind of the public and to help in the experiment proving successful, Government might set an example by subscribing not the whole, not the half, but a small portion of it as soon as the experiment proves successful or the initial stages are passed. The Committee does not want that this should be a spoonfed institution but that it ought to be able to stand on its own legs.

Mr. S. Z. Fazalulla (Hyderabad): I have much pleasure in seconding the Resolution. The co-operative movement has been fostered and sponsored by Government from the beginning. The reason why the Sub-Committee said that Government should in the early stages subscribe to the debentures of the land mortgage banks is this, that the investing public will not come forward and invest money in the purchase of debentures unless Government sets the example. That I say is a very important thing. There are examples of it in European countries also. In fact Mr. Wolff, a great authority on co-operation, advocates such assistance from Government.

The Chairman : I suppose the Conference will unanimously accept this resolution ?

The Resolution was unanimously accepted.

VII.—Is the guarantee of interest on the debentures of land mortgage banks the most suitable form in which assistance to these banks can be given by Government ? (Item 5 on the agenda).

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : Sir, I beg to move the following resolution :—

“ The guarantee of interest on the debentures of land mortgage banks is the most suitable form in which assistance can be given by Government.”

I have to explain why we lay some emphasis on the point that assistance in that form is the most suitable. The words occur in the Royal Commission's Report for one reason, *viz.*, the guarantee of interest is considered to be the most suitable among all the forms of assistance discussed and if I may say so I respectfully agree with that recommendation. I might add another reason. After all the success of land mortgage banks will depend entirely upon the ready marketability and liquidity of the debentures. Land Mortgage debentures generally are redeemable only after long periods, 20, 25, or 30 years. All that time the money is locked up. Now nobody would venture to put his money into these debentures unless they are readily marketable and the most convenient way of securing their ready marketability is for Government to guarantee interest on them, thus making them popular.

Sir, I have much pleasure in moving that Resolution, and for these reasons I move that resolution number five be accepted.

Mr. C. W. Dunn (Burma) : I oppose the motion altogether.

Resolution No. 5 was passed, Mr. Dunn voting against it.

VIII.—*Do land mortgage banks provide a suitable agency for the distribution of loans under the Land Improvement Loans Act, and should part of the allotment under the Land Improvement Loans Act be placed at the disposal of these banks?* (Items 6 and 7 on the agenda).

Sir Lalubhai Samaldas (Bombay) : Sir, I would like to move together the resolutions on items 6 and 7 on the agenda. No. 6 says that land mortgage banks provide a suitable agency for the distribution of loans under the Land Improvement Loans Act. Special loans are required by these banks for the improvement of their finances, but such loans should be given at a more favourable rate of interest than the rate charged to individuals. The seventh resolution is a corollary to this and says that so much of the allotment under the Land Improvement Loans Act should be placed at the disposal of these Banks as may be required for the special loans referred to in the last resolution. The Agricultural Commission, in their report, have very clearly given reasons in the chapter on Finance as to why they consider such banks to be the most suitable or very suitable for this kind of work. As work of a special nature will have to be done, it is necessary that there should be a special agency to do this work. Moreover, expert advice may have to be sought, and as the Agricultural Commission's report says it is not for the peasant to find out the expert officers but it is for the officers to go to reach the agriculturists. That can only be done if we have a special institution like the Land Mortgage Bank. At present Government are willing to give loans under the Land Improvement Act. If we decide that the proposed bank is a more suitable agency, it necessarily follows that provision should be made for allotment at the budget time, of funds, to be loaned to the Land Mortgage Banks. I do not think I need take up any more of your time. I would place the following resolutions before the Conference :—

“ Land Mortgage Banks provide a suitable agency for the distribution of loans under the Land Improvement Loans Act if special loans are required by these banks for the improvement of their members' lands ; but such loans should be given at a more favourable rate of interest than the rate charged from individuals ”

“ So much of the allotment under the Land Improvement Loans Act should be placed at the disposal of these banks as may be required for the special loans referred to in the last resolution.”

Mr. Balakrishna Ayyar objected to the passing of any of the resolutions relating to item 7 on the agenda on behalf of Madras.

The Conference passed the resolutions after recording the objection to the resolution on item 7 on behalf of Madras.

IX.—*Should debentures of land mortgage banks, the interest on which is guaranteed by Government be added to the list of trustee securities under the Trustee's Act?* (Item No. 9 on the agenda).

The Hon'ble Mr. V. Ramadas Pantulu (Madras) moved the following Resolution :—

“ The debentures of land mortgage banks, the interest on which is guaranteed by Government, should be added to the list of trustee securities under the Trustee's Act.”

Sir Lalubhai Samaldas (Bombay) seconded.

The resolution was passed by the Conference.

X.—*Whether Land mortgage banks should be organised only after the most careful preliminary enquiry, and their constitution and working should be as simple as possible ?* (Item No. 10 on the agenda).

U. Ba. Maung moved the following resolution :

“ The Conference is of opinion that land mortgage banks should be organised only after the most careful preliminary enquiry and that their constitution and working should be as simple as is consistent with adequate safeguards.”

While moving the resolution U. Ba. Maung said that the resolution being very simple did not require much explanation from him. The fact that there was no discussion in the sub-committee on this resolution showed that it would be passed by the Conference unanimously. In his opinion the creation of land mortgage banks being a new venture in India there should be careful preliminary enquiry before land mortgage banks were organised.

Mr. K. H. Ramayya (Mysore) seconded the resolution. In doing so he was also of opinion that there should be careful preliminary enquiry. If a mistake was made in the initial stages, the land mortgage bank movement would be a failure. Preceded by preliminary enquiry, there should be efficient management by the Board after the banks were organised.

Mr. H. M. Hood (Madras) proposed the following amendment :

Delete the word “ possible ” at the end and insert the words “ simple as is consistent with adequate safeguards.”

The resolution as amended was carried.

XI.—*Whether the Resolution passed by the Conference of Registrars in 1926 in favour of the Establishment of Land Mortgage Banks is endorsed ?* (Item 1 on the agenda).

Mr. M. L. Darling (Panjab) moved the following resolution :-

“ The Conference entirely endorses the resolution passed by the Conference of Registrars in 1926 in favour of the establishment of Land mortgage banks.”

In doing so, Mr. Darling drew the attention of the Conference to the details regarding the resolution given on page 464 of the Agricultural Commission Report. All that he wished to add was that the resolution was passed at the last Conference of Registrars on the recommendation of a very strong sub-committee ; and in view of the fact that the Agricultural Commission had endorsed the resolution he hoped the Conference would have no qualms in endorsing it too.

Mr. K. H. Ramayya (Mysore) seconded the resolution.

The Honourable Mr. V. Ramadas Pantulu (Madras) said that one portion of the resolution of the Registrars' Conference on which the Agricultural Commission laid great emphasis was that debentures should be issued by a central financing body in each province rather than by primary mortgage banks. There is no central financing agency in any province. The Royal Commission had not expressed any opinion on the question whether the central financing agency should be the existing provincial co-operative bank or altogether a separate organisation. That being a very important matter, he hoped the Conference would give some thought to it.

His own idea was that provincial land mortgage banks ought not to take up floatation of debentures. The various reasons against the provincial mortgage banks taking up that work were all given by him at the all-India provincial conference. His opinion was that it was risky to combine the deposit banking and the mortgage banking into one institution.

The Conference accepted the resolution.

XII.—*Should Central Banks take any part in the supervision of their affiliated Societies ?* (Item No. 19 on the agenda).

Mr. Collins (Hyderabad) moved : “ This Conference is of opinion that it cannot accept without qualification the statement that supervision by central banks has proved a failure, and thinks that in some areas where this system has been found to be workable the system of supervision by central banks should not be condemned, provided the central banks are both co-operative in character and efficient ”.

In doing so he said that the sub-committee were not unanimous as regards that recommendation of the Royal Commission and the resolution was in the nature of a compromise. He personally would not accept the proposition that supervision by central banks was a failure in all the provinces. In deed he considered the other system better and had put a long note before the Conference showing that it was ideally the best. The sub-committee agreed that it was not necessary to lay down any hard and fast rule.

Mr. Phukan (Assam) seconded.

Mr. Darling (Punjab) enquired in what provinces that system was successful.

Mr. Collins (Hyderabad) said that it had been successful to a great extent in Bihar and Orissa, Bengal and Assam.

Mr. Pillai (Travancore) wanted to delete the proviso.

Mr. Noor Mohammad (Punjab) said that the general sense of the sub-committee was that in a majority of cases supervision by central banks had failed. The sub-committee thought that the resolution should be passed with the proviso.

Khan Bahadur Hemayat-ud-din Ahmed (Bengal) said that so far as Bengal was concerned supervision by central banks was successful. They were as efficient as departmental supervision. He was not aware in what provinces the central banks had failed in their duty.

Mr. Hodge (Bihar and Orissa) was of opinion that in Bihar and Orissa the system of supervision by central banks was successful. Of course there were exceptional cases of failure. But the system as a whole was successful. He was of opinion that there was no need for the department or for some other bigger agency than the central bank to assist the central banks in their very important work of supervision. What was wanted was education. He would be very much grieved if the system was changed.

The Honourable Mr. V. Ramadas Pantulu (Madras) said that he could not support the resolution because it was a non-committal one. So far as Madras was concerned, a distinction was made between inspection and supervision. The village co-operators could not understand the subtle distinction between inspection and supervision and so their one cry was to be left alone, free from the multitude of inspectors. Mr. Calvert, in page 452

of the Agricultural Commission Report, said that he could not recommend an institution which was admittedly imperfect, and that he was not satisfied with the union as it was functioning in Madras.

The Chairman asked for the information of the Conference the difference between inspection and supervision.

Mr. H. M. Hood (Madras) explained that in Madras the whole system was based on the theory that the central banks were primarily banks, their first business being to provide funds for the co-operative credit societies. Any other functions they might have or they might acquire were entirely secondary. The bank was entitled to have a great deal of information about their clients who borrow money from them, but no bank was entitled to interfere in the domestic affairs of its clients. That was the real distinction drawn by the committee between inspection and supervision. Inspection, it was suggested, was a definite duty of the central banks which was to be carried out by a small staff whose duty it was to supplement the information which the bank had in regard to its clients from other sources, such as audit notes and inspection notes from departmental officers, and from the supervisors employed by the supervising unions.

Mr. B. A. Collins (Hyderabad) enquired why it was any more right for supervising unions to interfere than for central banks.

Mr. H. M. Hood (Madras) explained that supervision necessarily implied interference and involved not only ascertaining what was wrong but also seeing that those matters were set right. He was of opinion that Mr. Calvert's note gave a very exaggerated view of the position.

Mr. M. L. Darling (Punjab) was of the same opinion as the Hon'ble Mr. V. Ramadas Pantulu (Madras) that the resolution was too non-committal in character. He would like to move an amendment to the effect :—

“ At the same time this Conference considers that any further attempt to devolve the work of supervision on central bodies is to be deprecated except in areas where it has proved a success.”

In moving this amendment he said that he would like the Conference to record its opinion that, except in special circumstances, which apparently obtained in parts of Bihar and Orissa and Bengal and possibly in Assam, that method of supervision was not to be recommended. It was a method which was contrary to the experience and practice of such leading countries in the field of co-operation as Germany and Italy. In Germany, when Mr. Darling was there in 1921, it was considered an unsound principle to allow central banks to supervise and control affiliated societies, and it was on that principle that they worked in the Punjab. The basic principle in the Punjab was that the provincial bank was the servant of the central bank and the central banks were the servants of primary societies and the primary societies were the servants of their members : in other words the whole organisation was devised to serve the members of the primary society.

Sardar Kartar Singh (Ajmer-Merwara) seconded.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) said that the resolution amply justified his remark that it was of an ambiguous character. When Mr. Darling (Punjab) said that the societies were the servants of the members of primary societies, he might have appropriately added that those members of primary societies were in their turn the servants of departmental officers.

Mr. M. L. Darling (Punjab) said that that was not the position in the Punjab at all. He said that every one working in the field of co-operation was taught to regard himself as the servant of the co-operator, and that had been the case ever since he had been associated with the co-operative movement.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) said that the co-operative movement in the Punjab was undoubtedly controlled by Government servants. His point was that the central banks had decidedly the right to supervise the societies to which they advanced money. Could a central bank which advanced money absolutely divorce itself of all responsibility from supervision? The depositors who deposited money into the central bank expected the bank to take responsibility for the deposits. The main function of the central bank could not be merely to attract money from depositors. It was a most irrational thing to suggest that the central bank should attract money and somebody else should supervise the institutions to which the bank advanced money. Therefore, so long as there is systematic inspection and supervision by the Department officials or with their help confidence is felt. But the moment Government withdraws its supervision as in Madras and says the Central Banks should not supervise, I fear that the whole thing will go to rack and ruin. I think you must choose between the Central Bank and the Government. There is no third course. The Madras experiment may be tried there but not copied elsewhere where Central Banks now supervise.

Mr. Kartar Singh (Ajmer-Merwara) : There is sufficient co-operation between the staff and the Central Bank and you can have your supervision by getting it through the staff as in the Punjab. In other provinces the banks have no supervision. They can say nothing.

Mr. Noor Mohammad (Punjab) : The argument is quite the contrary if I tell you the state of things in our province. Were the depositors to know that the control and supervision through the society is carried on by the Directors of the Central Bank most of whom are laymen, the majority illiterate, you would not receive a single pie in deposit. A lot of argument has been advanced from this point, Sir, that in this way the control will be in the hands of officials. I say it is quite the contrary in the Punjab. The control is in our own hands, in the hands of non-officials, and it is like this. The Central Bank is run by directors who are elected by members of primary societies and then each central bank sends its representative to the Punjab Co-operative Union, which is the supervising body of all the primary societies, and the supervision and audit of these societies is carried on by sub-inspectors maintained by the Punjab Co-operative Union. The governing body of this Union is the Executive Committee composed of non-officials with the exception of the Registrar, who is the sole representative of Government, and the affairs of an Union are carried on by that executive committee, two-thirds of the members of which are necessarily members of primary societies. So in this way supervision is carried on. There is one thing which I must make clear. There are some provinces where most of the members of primary societies are literate and they can understand ; but if you leave the state of affairs to the Board of Directors of Central Banks, then I think the whole thing will go to chaos. Because they are laymen and they cannot spend so much time and energy to supervise their primary societies. The best course is to have supervision as in the Punjab. There the Union represents the whole Province and its affairs are carried on by elected members from the primary societies and central banks.

Mr. K. H. Ramayya (Mysore) : One thing I cannot understand. Mr. Darling says that the Provincial Bank must be servant of the Central Banks and the Central Banks servants of primary societies. Why then is he so suspicious of the supervision by Central Banks ? He says these banks stand only for the co-operators and in order to safeguard the interests of the depositors not with a view to interfering. Why should he object to such a thing being done ? We all stand for the good of the ryot and these distinctions must go. That suspicion must go. If you say we stand for the good of the co-operators and then say you have not got confidence in the Central Bank, where is the co-operative spirit ? For that reason I am of opinion that more supervision should be done by the Central Unions.

Mr. B. A. Collins (Hyderabad) : I proposed my amendment in this form after a great deal of discussion in order to avoid what promised to be and has actually become a somewhat bitter controversy. Personally I am strongly in favour of supervision by a Central Bank. I consider it the best system and the only suitable system. I consider the system the Punjab has evolved, one that it has been compelled to evolve in order to meet certain difficulties. As their representative only just now said, they have only got illiterate directors on their Central Banks, while the areas served by the Central Banks are very large. It is not the business of the directors to go and supervise societies and all they had to do was to employ staff in the same way as the Registrar or the Union employed staff. It is simply a question of ensuring that a properly trained staff is employed and that can be done under whatever system you follow. The Registrar has to see that the staff is properly trained and the staff can work under whatever agency it may be, whether the Union or the Central Bank. I myself think the other system is far the best and I ventured to put a long note before my sub-committee. I don't want to worry you with all the arguments there are in favour of this system because I am quite sure somebody will get up and worry you with all the arguments in favour of the other system. My only objection is that the recommendation of the Royal Commission, if left as it is, absolutely condemns the other system. We are quite certain that in Bihar and Orissa and in Bengal and Assam the other system suits us quite well. Why therefore should we accept this condemnation by people who knew nothing about Bengal, Bihar and Orissa or Assam ? All we ask the Conference to do, in very mild terms—I have accepted terms which I consider far too mild—we ask you in very mild terms not to accept without qualification this hasty condemnation. Can we not without further discussion agree to pass this ?

Mr. Abdul Majid (Jammu and Kashmir) : From my personal experience of over 20 years I can say that the Punjab adopted this system for certain reasons. When I was in the Punjab we tried this system. In one central bank in Umballa we found there was a dual monarchy arrangement. The Registrar gave one direction and the Central Bank another, with the result that the man at the Central Bank recommended loans to the Registrar, who did not think the society qualified. Then we found many cases in which he would not listen to the advice of the Registrar, and as the agent of the moneylenders he practically did the same thing by getting some money from this member and some money from that member. We were forced to stop that system as the result of our own practical experience of it. Now Hyderabad is not far off from Madras : and the nature is just the same whether in Madras or in Kashmir. I was in Hyderabad for 5 years and 5 months and I can say for a simple

that the Central Banks are in any way qualified there to supervise the societies. I was in Kashmir where this system was in vogue in the Central Bank of Jammu. The result was they had their own agents and supervisors going about to the societies but the directions given by the inspectors and the staff of the Registrar were actually ignored. I think the same thing is going on in Madras.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : It is not going on in Madras.

Mr. Abdul Majid (Jammu and Kashmir) : Very well. I heard the complaint in the sub-committee. So what we have done was after some practical experience and to avoid dual monarchy. If the supervising agency is given under the Registrar I will have no objection ; but if it is directly under the Central Bank I have great objection. You will have a dual monarchy and no smooth working will be possible. Take away the supervision of the Registrar from the Central Bank and we will see where the Central Bank stands. If there is any difficulty in making recoveries the Central Bank goes to the Registrar and the Registrar helps the Central Bank and is not against the Central Bank. There is no reason why the staff employed by the Central Bank should not be taken advantage of. I support the amendment which has been brought forward by Mr. Darling.

Mr. R. A. Gayatrinatha Ayyar (Cochin) : I strongly support the proposition that to begin with supervision should be done by the Central Bank.

The Chairman : Are you opposing Mr. Darling's amendment ?

Mr. R. A. Gayatrinatha Ayyar (Cochin) : Yes. We have got in Cochin a Central Bank. We have a highly educated set of people there and the supervision is done by the Board of Directors as also by a set of honorary workers selected locally. Even in the matter of granting loans they know the position so well that the Central Bank supervisors and the Registrar do not come in. They do it as you do the business in primary societies, that is, the Central Bank is composed of primary societies and the primary societies are considered members of the Central Bank and the Central Bank goes on with the business as members of primary societies and there has been no lack of funds. The deposits are coming in and you will find that the system works very well.

Khan Bahadur Hemayat-ud-din Ahmed (Bengal) : Sir, this amendment has been proposed by the Registrar of the Punjab and supported by some gentlemen from the Punjab, but we should remember one thing. Our experience is very limited. We see our surroundings and we get our ideas from that. My friend from Kashmir says the directors of Central Banks are illiterate. It may be so, and that these illiterate persons send their representatives to the provincial organisation, and those illiterate men being there become very efficient. Now the simple question is who is to raise the money, and who is to look after the safety of that money. If the Registrar is responsible for the money, I have not the least objection to entirely entrust him with this. If the Government takes the responsibility well and good. Let there be Government supervision and the Central Bank will have nothing to do with it. But to say that the Central Banks are good for nothing, to say that they are not fit, I think this is most uncharitable. One word more and I have done. There is this difference between India and other countries, where the co-operative movement has sprung from the people and the Government had little to do

with it. In India we are very grateful to Government that it has brought it here, but the principle remains that it must be people's business and that this movement must grow from within. If you want to guide and organise it yourselves all the time it will be spoon-fed and the spirit which the Co-operative movement really wants to promote, that spirit by officialising these banks, you will kill and what you give with one hand you will take away with the other. That would be very unfortunate. So such remarks and such discouraging words against the Central Banks are very damaging in my opinion.

Mr. H. M. Hood (Madras) : There is one point I should like to raise, Sir. There are two systems of supervision and there are practically in India as far as I can see two systems of finance—a system of numerous small Central Banks in close contact with their societies, while in other provinces there are larger Central Banks dealing with a very large number of societies. While it may be practicable for a small Central Bank dealing with a number of societies in its immediate neighbourhood to supervise those societies, it is not practicable for a large Central Bank to supervise a large number of societies over a very big district and it is a practical question, so far as we are concerned, much more than a theoretical question of who should or who should not do the supervision. The banks in Madras from the very start or most of them had a provision that they should supervise the societies which they financed ; but they did not do it and it was impracticable for them to do it. It was after that that the question of supervision arose. It was thought undesirable and un-co-operative that the whole supervision should be undertaken by a Government staff apart from the fact that the Government staff was quite insufficient for the requirements of the case and it was as the result of that that the supervising unions were evolved. A good deal has been said about the difficulty of understanding the distinction between supervision and inspection, but as a matter of fact in one district where they were most keen on supervision by the Central Bank they sent out their inspectors who sent voluminous notes to the Bank which then said to me " Here you are. These societies are in need of attention. Please put them right ". And we sent them on to the Unions because that is their business. The real difficulty—it is a practical question—is that in Madras it is not practicable for the Central Banks to undertake supervision.

The Chairman : You admit it may be practicable in other provinces.

Mr. H. M. Hood (Madras) : It may be so. I have nothing to say about that.

Mr. M. L. Darling (Punjab) : If you will allow me to make a few remarks in reply to what has been said, I should like to acknowledge the very eloquent support I have received in favour of this amendment. There are two main objections to the system condemned by the *Livingston Commission*. Firstly, if you give Central Banks the power of supervision I think their servants must necessarily be biased in favour of the affiliated societies by the mere fact that they are servants of the Bank, and though the bias may vary with the individual and the it may ultimately tell against the interests of affiliated societies. briefly is my first objection. My second objection is stronger. In the co-operative movement we are not one united and homogeneous number, of different interests. We have Central Banks of different types. We have Central Banks of different types.

banks of different types ; and in addition we have Government, whose interests in the movement are very great and are bound to remain very great for a long time to come. Therefore it seems to me desirable to evolve, for the control and supervision of the movement which is daily increasing in strength and momentum, some form of organisation which will co-ordinate those different interests. I do not suggest that what suits one province will suit other provinces, but I do suggest that you should consider the necessity of co-ordinating all these different interests in a single organisation. In Germany they do it by having a system of audit federations which are linked with the Central Banks on the one side and with the wholesale societies on the other side, by having the same president for all three and directors common to the three directing committees. That is my second objection ; but I see that in my endeavour to commit this Conference to a line of action which personally I am strongly in favour of, I have provoked more opposition than I anticipated ; and in view of the fact that opinion is so sharply divided, I think that we must be content with the somewhat colourless, though no doubt adequate, Resolution which has been placed before us, and I therefore withdraw my amendment.

The Chairman : In that case I suppose the original Resolution will be accepted by the Conference. Is that so ?

Many Delegates : Yes.

The Resolution as accepted runs as follows :—

“ This Conference is of opinion that it cannot accept without qualification the statement that the supervision by Central Banks has proved a failure, and thinks that in some areas where the system has been found to be workable the system of supervision by Central Banks should not be condemned provided the Central Banks are both co-operative in character and efficient.”

(The Committee then adjourned till Monday the 1st October at 12 Noon.)

Monday, the 1st October 1928.

The Chairman : I think, gentlemen, we might get to work. I will again ask you to give me assistance in bringing the proceedings to a speedy close and I would suggest that the movers of resolutions should be very brief in their preliminary remarks and that they should credit members with some amount of knowledge of the subject which is being discussed. Of course, in the course of discussion if any request for information is made, the mover of the resolution will have an opportunity to supply that information. I would now ask Mr. Collins to move his Resolution. (Item No. 20 on the Agenda).

XIII.—“ *Should a supervising agency be provided by federating primary societies into a supervising union ?* ” (Item 20 on the Agenda).

Mr. B. A. Collins (Hyderabad) : The recommendation of the sub-committee was as follows :—

“ With the exception of the Punjab, Assam and Delhi, the other provinces and States are in favour of federating primary societies into supervising unions. In several areas the unions have done very good work. An organisation of this kind seems to be one of the most promising ways to increase co-operative

knowledge among members of societies, and to give the leading members of societies a wider outlook."

These supervising unions have been criticised : for instance, Mr. Calvert criticised them very strongly in a foot-note to the Agricultural Commission's Report. But it is the experience of the provinces where they have been given a trial that they do do something to improve the working of societies. Some of them are failures or at least do not work well, but a large proportion do work well and it has been found that the societies affiliated to these unions on the average have a higher efficiency at audit than those that are not affiliated. This seems to speak well for the unions. But as you will see from the report of the sub-committee some of the provinces are not in favour of such unions. However, I would now like to place this Resolution before the Conference :

" That this Conference is in favour of federating primary societies into supervising unions, inasmuch as an organisation of this kind is one of the most promising ways to increase co-operative knowledge among members of societies and to give the leading members of societies a wider outlook."

Malik Noor Muhammad Khan (Punjab) seconded.

Rai Sahib S. K. Ganguli (Bengal) proposed an amendment that "supervising unions should be formed except in provinces where central banks do the work of supervising agencies, and work in a restricted area". He remarked that his amendment practically gave effect to the decision of the conference arrived at in regard to item 19, so that he did not think there would be any opposition.

The amendment was seconded by Khan Bahadur Hemayat-ud-din Ahmed (Bengal).

Mr. M. L. Darling (Punjab) : I should like to add to that amendment "or where other suitable arrangements have been made for the supervision of primary societies." This Resolution, as it stands, certainly cannot be endorsed by the Punjab.

The Chairman : The Resolution as amended by Mr. Ganguli and Mr. Darling is as follows :—

" That this Conference is in favour of federating primary societies into supervising unions except in provinces where central banks perform the functions of supervising unions, and in restricted areas or where other suitable arrangements for supervision have been made."

Mr. B. A. Collins (Hyderabad) : In Bihar we have supervising banking unions but we have given up the idea of making them. We not simply say "except where other suitable arrangements have been made" ?

Mr. Fazlullah (Hyderabad) : The question of supervision is a function that in areas where societies are numerous cannot be supervised properly by central banks, but the idea of supervision can be carried out and as far as supervision can be carried out, it can be done properly.

Mr. K. H. Ramayya (Mysore) : I second Mr. Collins. When we say a general thing we provide for exceptions in different provinces. Has Madras any supervising unions ? It all depends upon the institution which can do the supervising. It might be an apex bank in one, a central bank in another, and probably unions in other places. It all depends on the materials we get and the honorary workers. It all depends on the personnel. So I don't think we need specifically mention a thing like that when we all agree for supervision except in places where separate agencies may exist.

Mr. B. A. Collins (Hyderabad) : Might I suggest a slightly different form. I think possibly it would suit everybody.

" That this Conference considers that supervising unions formed by the federation of primary societies are of great value where conditions are suitable and other satisfactory arrangements are not already in existence inasmuch as an organisation of this kind is one of the most promising ways to increase co-operative knowledge among members of societies and to give the leading members of societies a wider outlook."

The amended resolution was carried.

XIV.—"*Should the statutory cost of audit ordinarily be borne by a society ? If so, should the cost of education and supervision be borne mainly by Government ?*" (Item 21 on the Agenda).

"*Should Government give a larger contribution to the expenses of the movement in the case of (a) backward tracts, and (b) women's societies ?*" (Item 22 on the Agenda).

Mr. B. A. Collins (Hyderabad) : The recommendation of the sub-committee is as follows :—

" The Sub-Committee agrees that education and supervision is of the highest importance and Government, where necessary, should make substantial contributions towards the cost of education especially in backward tracts and for societies among women and the backward classes, but there seems to be no reason why where audit is given free this privilege should be withdrawn or where subsidies are given for audit these should cease to be paid."

The reason why we put the Resolution in this form, Sir, was because some provinces have one arrangement and some have another. In Bombay, for instance, audit is free. In other parts of India, Government makes a substantial contribution towards the cost. In Madras also it is free. There is no reason why all these arrangements should now be revised. Where Government gives some contribution towards audit, some towards education and supervision, there seems to be no reason why it should cease to pay for audit and only pay for education and supervision. Every provincial Government can make the contribution which it considers suitable and all that is absolutely necessary to do is to emphasise the fact that Government should make large contributions towards the cost of education. Some of us felt that there was a great advantage in the Government continuing to contribute to the cost of audit because it strengthens its position in backing up the Registrar and insisting on the audit being absolutely thorough and satisfactory to everybody concerned. If Government contributes largely towards the cost of audit or even gives it free, it has a far greater control over the audit and can insist much

more on its being satisfactory. I therefore beg to put this Resolution before the Conference.

“ This Conference, while it agrees that education and supervision is of the highest importance, is of opinion that Government should, where necessary, make substantial contributions towards the cost of education, especially in backward tracts, and for societies among women and the backward classes. At the same time it sees no reason why where audit is given free this privilege should be withdrawn or where subsidies are given for audit these should cease to be paid.”

Mr. V. S. Bhide (Bombay) : I second that. I won't detain the House very long. I would like to introduce some qualification in the recommendation made by the Conference. The audit is free in Bombay and there is a danger that the recommendation of the Commission in the form in which it stands at present may be made the occasion for compulsory levy of audit fees ; that would give rise to great difficulties in Bombay. Therefore the resolution that has now been moved only gives a necessary qualification, which, I hope, the House will accept, so that each province may be able to continue the assistance that is found to be the best and the most expedient considering the past history of the working of its societies.

The Honourable Mr. V. Ramadas Pantulu (Madras) : I would like to suggest a small amendment. In view of the Resolution passed at the All-India Provincial Banks Conference which met on the 25th of this month, I want to add these words to the third line from the bottom.

“ At the same time it is of opinion that the statutory audit of primary rural societies should be free ; and therefore it sees no reason, etc., etc.”

Mr. S. Fazlullah (Hyderabad) : I second the amendment. As the committee have pointed out, the statutory audit is intended primarily to satisfy the Registrar that the society registered by him is working properly. Therefore I think the audit of rural primary societies should be free of cost and the cost should be met by Government.

Mr. K. H. Ramayya (Mysore) : In fact, Sir, we have got such a thing. The audit of all the village societies in Mysore is free.

Khan Bahadur Hemayat-ud-din Ahmed (Bengal) : The Bengal Government levies a fee on all societies and what is more all that money is not spent on audit.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : Yes, but when the Act comes up for amendment I want to press the opinion of the Conference on the Legislature. I do not want legislature to interfere.

Mr. M. L. Darling (Punjab) : Sir, before the Conference commits itself to supporting the amendment moved by the Honourable Mr. Ramadas Pantulu, I think we should remember that a question of principle is involved in it. The Royal Commission has stated in very emphatic terms “ that we do not consider that the audit of a healthy society is a proper charge on public funds.” I do not think that they would have come to this conclusion without very careful consideration on a matter which is of course of very considerable, if not vital, importance to the hundred thousand societies that now exist in this country. My own view is that the Commission is correct in saying that the audit

of a healthy society is not a proper charge on public funds, for it is essential to the proper management of a society that it should be audited once a year as that it should have a Secretary, and I do not think, if it were proposed that we should ask Government to pay for the cost of Secretaries to Societies, that we should support the proposal. On the same ground I think we should hesitate before committing ourselves to supporting a Resolution which involves this charge, and a very heavy charge it will be, upon public funds. The Committee say advisedly, "a healthy society", and that gives an opening to what was suggested by Mr. Collins, with which I sympathise, that there are advantages in Government contributing to the cost of audit. This can be done under special circumstances; but as a general principle my own view is that the charge is one that should rightly be laid upon a society and should not come upon public funds. I therefore oppose this amendment.

The Chairman : My one request to the Conference is not to come lightly to a decision on a subject which affects a very important principle of co-operative administration. If we wish that the views of the Conference should be given proper weight by the Government, we should make our recommendation after a careful consideration. The proposal that Government should bear the entire cost of audit of all societies involves so great a departure from the actual practice which is followed in certain provinces that I would urge the conference not to adopt a resolution which will embarrass the co-operative administration in those provinces.

Mr. Hodge (Bihar and Orissa) : Mr. Chairman, I wish just to make one remark, that the province of Bihar and Orissa is one that receives a subsidy towards audit from Government, and hitherto that arrangement has worked very well. I should have been inclined in other days to have held that in order to secure an absolutely impartial and authoritative audit Government should bear the expense of it. But I have had experience of the other system in Bihar and I think it is working very well. Government makes a subsidy of something like 45 per cent. and the rest is borne by a levy on the societies themselves.

Mr. B. A. Collins (Hyderabad) : Perhaps, I might say one word further. It is true that Government in Bihar and Orissa contributes the whole cost of the audit of new societies, that is, societies which are less than 2 years old, and one-sixth of the cost only of old societies. That seems to be based on the principle that Government should bear the cost of audit for the first year or two when the societies cannot afford to pay, and when they can afford it, the Government contribution should be decidedly reduced. I think there is a great advantage in societies themselves having to pay for audit. If Government bore the whole cost, the societies would find the control go entirely out of their hands. There is a great deal to say in favour of the federation or provincial union having some control over it. It ensures the auditors taking a sympathetic attitude towards the societies. I therefore say, let us keep control over the audit. If we accept the whole cost of audit from Government, it will pass out of our control and our successors may not thank us for this.

Mr. H. M. Hood (Madras) : I think Mr. Collins' point was that the auditors should be controlled by the Registrar and at the same time they should be controlled by the provincial union. Surely, the audit

of a society to be impartial and of the greatest value should be carried out by an outside authority. The audit is a statutory duty of Government. The supervision of societies is not a statutory duty, and it is a question, so far as Madras is concerned, which of these two functions is going to be paid for by the societies themselves. The rates are such that the societies cannot pay for both functions, and it is to my mind essential in pursuance of the co-operative ideal that the supervision should, as far as possible, be done by the societies themselves. If they are to do their own supervision and pay for it, they cannot pay for their own audit also, and the audit, as I have said is a statutory duty. It is incumbent on the Government to provide the audit, and that is partly for the information of the Government and partly also for the information of the general public as some sort of guarantee to the people who invest their money in co-operative banks, that the societies are in a sound condition. It appears to me, therefore, that the audit should be paid for by the Government.

The Chairman : What did the MacLagan Committee report ? I think they reported that the societies should contribute.

Mr. C. W. Dunn (Burma) : I should like to mention that in Burma we have met the argument of Mr. Hood. The new Act in Burma no longer says that the audit is the duty of the Registrar. It says that it is the duty of the society to get its accounts audited. I agree with Mr. Darling and with the Commission that it is not a proper charge on public funds to pay for audit. I also agree with—I think it was Mr. Collins who said that if Government pays for the audit, the co-operative movement, such as it is, will surrender some of its autonomy and some of its independence. Sir Lalubhai Samaldas, I read in the papers the other day, has criticised the Indian co-operative movement as not being a national co-operative movement at all. It seems to me that if the proposal be accepted it would make the co-operative movement more and more an externally official-ridden business. I think it is essential that the societies should pay for their own audit.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I feel very strongly on this matter. There are only two points pressed against my amendment, one by Mr. Darling and the other by Mr. Collins. Mr. Darling said that the audit is not a proper charge upon the public funds, a thing which I emphatically repudiate. The tax-payer is interested in the general economic prosperity of the ryot and I think audit is a statutory duty under the existing Act.

Mr. C. W. Dunn (Burma) : No, not in Burma.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I do not think it is free, but the Registrar is *bound* to do that duty.

Mr. B. A. Collins (Hyderabad) read the relevant section of the Act.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I think that the Act lays down that the audit ought to be free, and that it is the *statutory* duty of the Registrar. It is his duty that the audit is carried out either by himself or by some other person. Therefore I am right in saying that it is a statutory duty.

Mr. C. W. Dunn (Burma) : Same as the Registrar of Companies.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : With regard to the legitimacy of that charge, I submit that the reason was given by Mr. Hood, that the only guarantee and the only method by which you can ensure public confidence is outside audit. Therefore, I think that it is a legitimate charge on the tax-payer.

As regards the second point, namely, that it will make it more and more official-ridden, I submit that we are already suffering for want of demarcation of functions of the non-official organisations and the Department. They are coming into conflict on account of the absolute want of demarcation of functions. I do not want to add audit to one of those functions partly making the Registrar responsible and partly the society. I want to avoid a repetition of Burma. Mr. Dunn's argument is the very reason which impels me to press my amendment because I want to provide against the future contingency of Burma being followed.

Mr. K. H. Ramayya (Mysore) : As matters now stand, people have got confidence because of the Government audit. The Indian peasant is very poor. The rural society will have a small share capital and if you insist upon its subscribing for the audit which even an ordinary society with 5 or 10 years behind it may not be able to subscribe, I do not know what will happen. I am strongly in favour of this statutory duty being done by the Government in the case of rural societies.

The Chairman : Free of charge ?

Mr. K. H. Ramayya (Mysore) : Yes.

K. B. Azim Khan (Sind) : The Commission has recommended that the expense of the audit of a healthy society should not be charged upon public funds. We have therefore to define what is a healthy society and what is not. Of course, we have got these classification, A. B. C. and D. A. and B. we call healthy societies, and C. and D. unhealthy societies. Therefore, in my opinion the charge should not be on all societies but on A. and B. societies only.

The Chairman : A. and B. societies will then bribe the auditors to class them as C. and D. societies.

Sir Lalubhai Samaldas (Bombay) : My friend, Mr. Dunn, has dragged in my name and I think I must say something to explain my position. He said that I want the movement to be nationalised. I do want it to be nationalised. I should like that the statutory part of audit should be done by Government officials or by those approved by Government.

The Chairman : Free of charge ?

Sir Lalubhai Samaldas (Bombay) : Then we come to the question of fees. Bombay and Madras make the Government pay for the audit of the primary societies. We know that in other provinces owing to financial stringency and owing to difference of opinion they are following a different system. We on the very first day decided that we ought not to lay down any principle or hurriedly pass a resolution which may not be acceptable to all the provinces. I therefore make a personal request to Hon'ble Mr. Ramadas Pantulu to withdraw his amendment.

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : On the advice given by my senior and leader, Sir Lalubhai Samaldas, I withdraw my motion, without abandoning my point.

Mr. C. M. Trivedi (Central Provinces) : Sir. I move the following amendment : " That in provinces where audit is not free, Government should, if necessary, make contributions to raise the efficiency of audit."

Mr. B. A. Collins (Hyderabad) : You would say, the Conference sees no objection in principle.

Mr. C. M. Trivedi (Central Provinces) : Yes.

Mr. C. W. Dunn (Burma) : I oppose it.

The Chairman : I think the sense of the House is in favour of accepting that amendment.

The amendment was adopted.

Mr. M. L. Darling (Punjab) : I have a small amendment to propose. The resolution speaks of audit, education and supervision and recommends that Government should make a substantial contribution towards the cost of education, but says nothing about the cost of supervision. I therefore move an amendment that the words "and supervision" be added.

The amendment was adopted.

Mr. B. A. Collins (Hyderabad) : The amended resolution reads as follows :—

" This Conference agrees that education and supervision is of the highest importance and is of opinion that Government should, where necessary, make substantial contributions towards the cost of education and supervision, especially in backward tracts and for societies among women and the backward classes. At the same time it sees no reason why where audit is given free, this privilege should be withdrawn, or where subsidies are given for audit, these should cease to be paid. In provinces where no contribution is now made, the Conference sees no objection in principle to the Government making any contribution required to make it efficient."

Mr. C. W. Dunn (Burma) : I object to the last clause.

The amended resolution was adopted.

XV.—*What steps should be taken to build up a highly educated and well-trained official staff?* (Item 23 on the Agenda.)

Mr. B. A. Collins (Hyderabad) : I regret to find that several of our resolutions have not met with the approval of the Punjab delegates but I am sure that the one I am going to move will be gladly welcomed by them. The resolution runs as follows :—

" This Conference insists on the necessity of proper educational qualifications for all new appointments and also emphasises the importance of the training of the probationers and existing members of the co-operative staff. The Government of the Punjab in developing this training to a high standard of excellence should be followed by all the "

The Hon'ble Mr. V. Ramadas Pantulu (Madras) : I second it.

Mr. C. W. Dunn (Burma) : I support it. I had the advantage of visiting the Punjab for a week in 1920 and I was interested to see the results of the training of the staff. I wish we could emulate it in Burma. I heartily endorse the motion.

Mr. T. S. Balakrishna Iyar (Madras) : The resolution as it stands does not cover the item. The item says, what steps should be taken ? I agree that it is highly necessary to have a very good superior staff, but what is the practical step that we are to take towards that end ? That is the question.

Mr. B. A. Collins (Hyderabad) : Our recommendation is that the example of the Punjab should be followed. They have just published an excellent little book under the orders of their Minister, in which they have explained in great detail what their courses of training are and how they are carried out. I suppose that all the members of the Conference will have seen that book.

Rai Sahib S. K. Ganguli (Bengal) : May I give a description of the training in Bengal ? The new recruits are required to attend training classes where lectures are given on the principles of co-operation and also on the rudiments of agriculture by officers of the agricultural and co-operative departments. After they have undergone their training which lasts about a month more or less, they are sent out on field work, and they are required to do actual inspection and audit work under an experienced officer of the department. After that they have to pass fairly stiff departmental examinations, one lower and one higher. These examinations include not only co-operative law and principles, but also account-keeping, audit and rural economics, so that in Bengal also we have a fairly good system of education.

The Chairman : It has only recently been introduced.

Khan Bahadur Hemayat-ud-din Ahmed (Bengal) : We are asked to subscribe to the method which is followed in the Punjab without knowing what it is. However, as we have confidence in the Punjab, we are ready to subscribe to a blank cheque.

Mr. M. L. Darling (Punjab) : First of all, I desire to acknowledge on behalf of the Punjab the very great compliment paid to the Punjab by this resolution, which I certainly do not oppose. If I may very briefly describe our system, we have, first of all, the training of our Inspectors, who are Government officials. Their course of training lasts for not less than 15 months—the average is probably about 18 months. An Inspector candidate is placed first of all for three months with an experienced Inspector, who educates him in the elements of co-operative theory and practice. When he has mastered these, he is given charge of 40 or 50 societies as sub-inspector, and during this period of his training he learns to deal with co-operators, to understand their point of view and their problems and he masters the practical details of their societies. At the same time he is expected to do a course of reading for which about 30 or 40 books have been recommended. Then there comes a point in his training at which he has to attend a class, which is held annually and which I am glad to say has been attended by members from

other provinces. This class has in the past lasted three months, but we are so impressed by its importance and by the amount of reading and discussion to be done that we propose this year extending it experimentally to four months. The class is in charge of Government officials called Educational Inspectors, of whom we have three. They deliver lectures on every aspect of co-operative law, theory and practice, but perhaps the most characteristic feature of the class is that, departing from academic precedent, we encourage discussion rather than lectures. The lecture is the starting point of the teaching, and at the end of every lecture, which does not last more than half an hour, there is half an hour's or an hour's discussion, with the result that problems are thrashed out in all their bearings and whatever of importance is lurking in the mind of a candidate is brought to the surface. By this clash of mind with mind I think that the class leaves a very definite impression upon the minds of those who attend it. At the end of the class there is an examination which is so stiff that, though most of the candidates are said to work for 9 or 10 hours a day, ordinarily not more than 25 per cent. pass. There is another point in connection with the Inspector's training. He is required to get one month's training in the Central Bank and to familiarise himself with the inside working of this most important co-operative institution. Then we come to the Sub-Inspectors. They are servants of the Punjab Co-operative Union and number about 450. Upon them rests the audit and the day to day supervision of the primary societies. Their education therefore is only less important than the education of the Inspector. Their course lasts for six months and is mainly of a practical nature. In addition they have to attend a class similar to that attended by the Inspectors. It lasts for a month, but this year we have started the experiment of a two months' class and my impression is that this class will replace the one month's class.

Passing from Sub-Inspectors to the Secretaries of our societies, we have classes for them all over the Punjab. In a country where there is so much illiteracy, it is difficult to find suitable secretaries. Even when we find men who are able to read and write and do simple accounts, we want to give them more education than that. Accordingly all over the Punjab we organize training classes for them. Realizing the importance of co-ordinating our activities with those of the Agricultural Department, we send every year a certain number of sub-inspectors for a six months' training course at the Agricultural College, Lyallpur, and also at the experimental farm at Gurdaspur. On the industrial side we are attempting an experiment on the same lines, and are trying to give some of our inspectors and sub-inspectors technical training with the help of the Director of Industries. Realising, further, that memory is short and that it is important to keep the spirit of co-operation and the fire of knowledge burning amongst us, we have refresher courses. These are held by every Assistant Registrar (a gazetted officer) in combination with another Assistant Registrar once a year, and last from a week to ten days, and opinion is unanimous that they are of enormous advantage to those who attend them. At these courses we get representatives of other departments to give us addresses, and also non-officials, such as lawyers who address us on the legal aspects, of our work. We also get other experts to give us addresses on subjects which bear upon our work. That briefly is our system of training.

The Chairman : The Conference would like to know the practice in other provinces.

Rai Bahadur Durga Prasad (Bihar and Orissa) : We have classes at Sabour, where we give training in co-operative law, practice and accountancy. We give practical training under the Assistant Registrar for a month or so and then they are taken to these classes. We hold an examination at the end of the period in all the various subjects. We have also started refresher courses recently and we have found them very successful. They have been beneficial to the old hands in the department. We are still in the preliminary stage. We want to develop these classes. For want of funds we have not been able to develop them. We have gone to Government for a substantial aid. We want to follow the Punjab system as much as possible.

The Mysore representative (Mr. K. H. Ramayya) asked who bore the cost of training Secretaries.

Mr. M. L. Darling (Punjab) : Partly Government and partly the Co-operative Union—in what proportions I am unable to say. Most of our sub-inspectors are servants of the Punjab Co-operative Union and all our inspectors are servants of Government. I have recently approached Government for a larger support and my idea is that Government should pay about half. The proportion at present, speaking from memory, is that Government pays about 35 per cent. and the societies 65 per cent.

Mr. P. M. Kharegat (United Provinces) : Mr. Darling has not told us anything about the training of these men, which is probably as important.

Mr. M. L. Darling (Punjab) : No one is confirmed as an Inspector until he has passed the examination to which I have already referred. Similarly, no Sub-Inspector is confirmed until he has passed the examination at the end of his course. No Sub-Inspector is accepted unless he has passed the entrance examination, nor is an Inspector appointed direct unless he has taken a degree. A certain number of Inspectors, about 30 to 40 per cent., is recruited from Sub-Inspectors.

Replying to U Ba Maung, who asked how the Punjab Unions raised funds, Mr. Darling said :

Every society is required to contribute $7\frac{1}{2}$ per cent. of its annual profit to the Punjab Co-operative Union with a minimum fee of Rs. 7-8-0. It is a good example of the spirit that pervades the Union that recently when the position was laid before it, it agreed to raise the fee from $7\frac{1}{2}$ to 10 per cent.

Mr. V. S. Bhide (Bombay) : May I know whether as a matter of policy any proportions have been laid down in the Punjab in the matter of recruiting backward and forward classes ?

Mr. M. L. Darling (Punjab) : Speaking from memory, I think my department is obliged to recruit 80 per cent. from the agricultural classes. I cannot remember any other restriction, but we seek to maintain a balance between the great communities of the Punjab, and also have regard to the different conditions of different geographical areas.

Mr. V. S. Bhide (Bombay) : May I ask whether a man with inferior qualifications from the rural areas is accepted as equivalent to a man with higher qualifications ?

credit societies should be restricted in the utilisation of their reserve fund in their business to the extent to which local conditions in their provinces demand."

"This is the only form of the Resolution on which we could get some sort of agreement in the sub-committee. I therefore commend this Resolution to the Conference.

The practice in Madras is that the reserve fund of primary credit societies shall be invested in the Central Bank. The Townsend Committee in Madras, while supporting the practice in general terms, made a further suggestion that when the reserve fund reached a certain figure—20 per cent. of their working capital—any surplus beyond that need not be so invested but could be used by them direct.

Rai Sahib S. K. Ganguly (Bengal) : In Bengal the primary societies are required to deposit the reserve fund with the Central Bank. The Central Bank also deposits its reserve fund in the Provincial Bank.

Rai Bahadur Durga Prasad (Bihar and Orissa) : In Bihar and Orissa we have various statutory rules making it compulsory on the part of these primary societies to deposit 50 per cent. of their reserve fund in the Central Bank. After the first four years, they may invest it separately.

Mr. M. L. Darling (Punjab) : In the Punjab all central banking institutions are required to deposit their reserve fund in Government securities, against which they obtain an over-draft from the Imperial Bank, but this over-draft, so far as it is secured by the reserve fund, is not allowed to be used except in times of emergency. As regards the primary society, the only restriction is that a society, which is financially self-supporting, is required to invest its reserve fund in Government securities and to invest one-fourth of its profits annually after that. The question is a very important and a very difficult one. In discussing it the other day with my Deputy Registrars we came to no definite conclusion. I am on the point of having a banking expert attached to my department and I propose to take his opinion on the subject.

Mr. V. S. Bhide (Bombay) : At present there is no situation created in Bombay which makes the primary societies absolutely independent of outside financial aid. The stage has not yet come when the owned capital is equal to the working capital. Until a very large proportion of the working capital is owned this question should hardly be considered to be important and till that stage is reached, the reserve fund might be allowed to be used in their own business. I am thinking of introducing a system to make it compulsory that a certain portion of the reserve fund should be available for fluid resources.

Mr. C. W. Dunn (Burma) : In Burma we followed the recommendations of the Committee on Co-operation in India. That Committee had a banker as one of its members and they recommended that the reserve fund should be used in the business of the society for obvious reasons. If you take the reserve fund and invest it elsewhere, you are diminishing the earnings of the society. Apart from that argument, it seems to me a mistake to invest the reserve fund outside. It seems to be due to some confusion between reserve funds and fluid resources. I think people do not keep their minds clear as to what exactly fluid resources mean and how they should be calculated.

Mr. B. A. Collins (Hyderabad) : It seems to me that this discussion has been entirely infructuous because nobody says what the reserve fund is. I asked one of those who spoke to define what it was. In most provinces only 25 to 50 per cent. of the property need be placed each year to reserve ; yet it is quite common to speak of all the undistributed profits as "reserves". There would seem no harm in investing separately the real reserve constituted from say 25 per cent. of the profits each year, but I cannot understand why the societies should not utilize their undistributed profits to build up their own capital and to become independent. If they keep on investing their undistributed profits, it will be a very long process. The only objection I have to the Resolution is that it does not exactly say what the reserve fund is. On the other hand it is so vaguely worded that I cannot see any harm in the Conference passing it as it is.

The Chairman : I think it may be passed.

The Resolution was passed unanimously. (The Conference then adjourned for Lunch till 2-30 P.M.).

(The Conference re-assembled after Lunch at 2-30 P.M.).

XVIII. (a) *How should bad and doubtful debts of a central financing institution be estimated and*

(b) How should they be shown in the balance sheet ? (Item 12 on the agenda).

Mr. H. M. Hood (Madras) : The question is really one of auditing ; and the definition given in Dicksee's Auditing Principles is, 'when the account becomes hopelessly bad either by reason of the statute of limitation intervening or any execution remaining unsatisfied', and his definition of a doubtful debt is, 'that which is sufficiently overdue to merit special attention may be called a doubtful debt'. We therefore, framed the following Resolution for your acceptance :—

"Firstly, the definition in Dicksee's Auditing should be accepted. All amounts outstanding against D class societies and societies under liquidation should be classed as doubtful and should be entered in a special register.

(b) Bad debts cannot be shown under assets. They are treated as amounts only to be written off in the loss statement in the Profit and Loss account. Doubtful debts are shown under assets."

The second part of that with reference to D class societies was put in because it was felt that something more definite should be stated about what constituted a doubtful debt beyond the mere statement that it was doubtful if it had merited special attention.

Rev. Mr. Hodge (Bihar and Orissa) : It is hardly worth while coming all the way to second this Resolution since I have discovered a very satisfactory definition of a doubtful debt. Mr. Hood did not state the definition.

Mr. H. M. Hood (Madras) : May I explain why I did not state it,—it was because I regarded it rather as a comment on the definition than as part of the definition itself.

Rev. Mr. Hodge (Bihar and Orissa) : Well that is the bit that appealed to me. If I had been asked to define what a doubtful debt was,

I should, probably have said, 'any which may or may not be recovered' and on reflection I would probably have said, 'probably may not be recovered'. I might say that in the course of discussion in the Sub-Committee the question did arise whether some system of depreciation might not be introduced. There was apparently difficulty in certain central banks. All agreed that a bad debt was a bad debt and had to be written off; there was nothing to be gained by carrying on a bad debt. Then with regard to a doubtful debt, the suggestion was that it should not be calculated at its full amount as that might give rise to a wrong valuation and might not convey the true financial condition of that particular organization. However we thought as a whole that to introduce anything in the way of depreciation would be impracticable. I therefore second this Resolution.

Mr. B. A. Collins (Hyderabad) : I have an amendment to move. There is one thing that in most provinces is always treated as a doubtful debt and that is overdue interest; and I suggest that we should add another sub-paragraph to this Resolution that overdue interest should not be taken into consideration in calculating profits.

A Member : How will you do that ?

Mr. B. A. Collins (Hyderabad) : You make an entry on the other side of the balance sheet. You are not to take it into consideration in calculating the profits.

Another Member : What is overdue interest ?

Mr. B. A. Collins (Hyderabad) : Overdue interest means interest that is due and not paid.

Mr. P. M. Khareghat (United Provinces) : I wish to move an amendment to the last sentence that doubtful debts are shown under assets. I wish to move an amendment that doubtful debts should be shown in the balance sheet either by suitably depreciating them on the assets side or by making a proper provision for the probable losses from such debts on the liability side of the balance sheet. The resolution as drafted would mean that those provinces which have hitherto been showing doubtful debts either by depreciation or by making provision on the liability side are not at liberty to do so and I wish to make it clear that we retain the right that we have been exercising in the past.

The Chairman : Mr. Collins' amendment before the Conference is that 'overdue interest should not be considered in calculating profits'. We are on that now.

Mr. H. M. Hood (Madras) : In Madras overdue interest is shown as an asset but it is deducted from the profit and loss statement of distributable profits. I would say, 'should not be considered in calculating the distributable profits', but I accept Mr. Collins' amendment.

The Chairman : I take it that this amendment is accepted.

Mr. P. M. Khareghat (United Provinces) : If we know that certain debts are doubtful but still include them in the total in the balance sheet, it means that we are deliberately presenting a false balance sheet and showing false profits. I would refer to section 17 (2). After the examination of the overdue debts, we have got to value the assets. Now in the case of buildings we value them by allowing a certain amount of depreciation from year to year. In the case of Government securities we value them at market rates. Why then should we not in a similar way value the

doubtful debts also by depreciating them if we wish to do so ; or in the alternative we ought to make suitable provision for a number of these doubtful debts which we consider will probably prove irrecoverable on the liability side of the balance sheet. It was said in the Sub-Committee that the situation would be met simply by leaving to the Registrar the power to sanction or refuse the distribution of dividends. I do not understand how the Registrar can refuse distributing dividends when he sees that the balance sheet actually shows profits. There would naturally be considerable friction between him and the Bank, because the Bank issues the balance sheet and the Bank very rightly would say, ' here is a balance sheet which you yourself have passed and certified as correct, and yet when we try to act upon it you say we are not to do so.' I think the Registrar's position would become absolutely impossible unless he insists, at the time of preparation of the balance sheet, that it is prepared correct, so as to show and present a true and correct picture of the real state of affairs. Now the Resolution as I propose to amend it will read :—

"Doubtful debts should be shown in the balance sheet either by suitably depreciating them on the assets side or by making a proper provision for the probable losses from such debts on the liability side of the balance sheet."

This amendment I suggest leaves every province free to do what it likes.

Mr. C. M. Trivedi (Central Provinces) : In the Central Provinces, we have been classifying debts outstanding against societies in the balance sheet of Central Banks, as good, bad or doubtful. We provide for bad debts in full on the liability side of the balance sheet, and we also provide for doubtful debts on the same side. The provision for the doubtful debts varies from 20 to 33 per cent., sometimes even more of the debts are shown as doubtful. The Resolution as moved would amount to saying in so many words that doubtful debts are good debts. If they are good, why call them doubtful ? If doubtful debts are not depreciated on the assets side as suggested by Mr. Khareghat or are not provided for on the liability side, as we do in the Central Provinces, it seems to me that the balance sheet would not exhibit a true and correct position. For these reasons I second the amendment moved by Mr. Khareghat."

Mr. H. M. Hood (Madras) : The whole question is purely a question of auditing. Doubtful debts are an asset. I do not understand this system of depreciation and I think that a false analogy has been drawn between doubtful debts and house property. Houses do depreciate ; but there is no particular reason for supposing that doubtful debts depreciate. A doubtful debt may or may not be recovered, but it is presumed that it will be recovered until it is shown to be a bad debt and it is accordingly definitely an asset, and it is an asset to the full value of that doubtful debt. I do not think there is any necessity to amend the Resolution on these lines because the Resolution is merely an expression of the auditing practice as laid down by the best authorities we can lay hands on.

The Chairman : Sir Lalubhai Samaldas, may we have your expert opinion ?

Sir Lalubhai Samaldas (Bombay) : I think by doubtful debt Mr. Hood means debt that is ' liable to recovery or likely to be recovered ' as

distinct from bad debts. Bad debts are not likely to be recovered but doubtful debts are likely to be recovered, to the extent of 80 up to 100 per cent. That brings me to the question whether it should be depreciated or whether the amount of doubtful debts should be shown on the liability side as provision for bad and doubtful debts (that is the usual phrase used). It is not quite correct scientifically, but the usual phrase is provision for bad and doubtful debts. Bad debts are written off as suggested in this Resolution and ought to be written off. Provision for doubtful debts is made in my Bank. But there is likely to be a misunderstanding if you depreciate your assets by say 20 or 30 per cent. of doubtful debts and if by chance you have an opportunity of recovering the whole amount, it is just possible the auditor will say, 'in your own books you have put down advances at a decreased figure': therefore I personally think that the practice of depreciation ought not to be followed in the interests of the Banks themselves, but provision ought to be made for bad and doubtful debts because as Mr. Khareghat said it would help the Registrar to keep control over the Banks. It is a difficult question also for the Registrar to fight the Banks. If Mr. Khareghat agrees, I would suggest that the word 'depreciation' be removed, but the second portion might be kept. I personally think that that practice is really harmful to the Banks.

The Chairman : Then the amendment for the acceptance of the Conference is :—

“Doubtful debts are shown under assets but suitable provision for such debts should always be made.”

The amended resolution as adopted is as follows :—

“The definition in Dicksee's Auditing will be accepted. All amounts outstanding against D class societies and societies under liquidation should be classed as doubtful and should be entered in a special register.

“Overdue interest should not be taken into account in calculating distributable profits.

“Bad debts cannot be shown under assets. They are treated as amounts only to be written off under the loss statement in the profit and loss account. Doubtful debts are shown under assets but suitable provision for such debts should always be made in the balance sheet.”

XIX. Should Government give liberal assistance in the early stages to the more specialised forms of co-operative activity such as consolidation of holdings, adult education, irrigation and the like? (Item 13 on the agenda).

Rai Sahib S. K. Ganguli (Bengal) : On this question the resolution of the sub-committee is :—“That the recommendation of the Royal Commission on Agriculture that Government should give liberal assistance in the early stages to more specialised forms of co-operative activities such as consolidation of holdings, adult education, irrigation and the like be accepted.”

He said that this resolution had the unanimous support of his sub-committee and he felt sure that he need not say anything to commend it to the acceptance of the Conference, though perhaps it might require much

of the power of persuasion of the provincial Registrars to make their Finance Department agree to give such assistance, at least to the extent to which it might be sought in any particular case. He thought, however, that they should leave that to them.

Mr. K. P. Pande (Central Provinces) : I second the resolution.

The resolution was adopted.

XX. Whether certain concessions to co-operative societies which are at present given by Government in some provinces are recommended for all provinces. (Item 14 on the Agenda).

Mr. H. M. Hood (Madras) : Sir, in discussing this in the sub-committee we were not quite sure whether the concessions which were given by the Government of India were uniform for all provinces throughout India, and that is the reason for the first part of the Resolution. In the second place, there are certain concessions given by the Local Governments in certain provinces which are not given in other provinces. But as a matter of fact it is not possible in all cases for these concessions to be uniform, because there are concessions in certain provinces which are quite inapplicable to other provinces. I forget the exact details, but a case was quoted in the Punjab where a certain fee was remitted and as a matter of fact that fee is not collected at all in other provinces. So it would be meaningless to extend that privilege to other provinces. We have, therefore, drafted the following Resolution :—

“ The concessions given by the Government of India should be uniform throughout India and concessions by some local Governments should be extended to all as far as they are applicable.”

I commend this Resolution to the Conference.

Rai Bahadur S. Venkata Reddy (Hyderabad) seconded and the Resolution was adopted.

XXI. “ Should co-operative societies be permitted to take full advantage of the facilities afforded by the district treasuries and sub-treasuries ? ” (Item 15 on the Agenda).

Mr. H. M. Hood (Madras) : We discussed this matter in the sub-committee for some little time but we could find not the slightest reason why co-operative societies should not be so permitted. We, therefore, framed the following Resolution and I trust, gentlemen, that you will have no difficulty whatsoever in passing it :—

“ Agricultural societies should be permitted to take full advantage of facilities afforded by treasuries and sub-treasuries for the transfer of funds and the limits prescribed should be relaxed.”

The Resolution was seconded by **Rai Bahadur Venkata Reddy** and adopted.

XXII. “ Should the consolidation of holdings be attempted by co-operation or by legislation ? ” (Item 24 on the Agenda).

Mr. R. J. S. Dodd (Punjab) : This also received some consideration from the sub-committee. We all agreed that of course the consolidation of holdings is in many places very desirable. It was also obvious that

some provinces were more favourably situated in regard to this matter than others. For instance, my own province, the Punjab, is very favourably situated while other provinces find great difficulties. The feeling was that it was very likely possible to start consolidation of holdings in the favourably situated provinces and to carry on for some considerable time by means of co-operation only : but that both in respect of provinces where difficulties occur now and also in provinces where a good beginning could be made by co-operation, it was thought that it was quite likely that a time would come when some sort of compulsion would have to be applied if the consolidation were to be carried out as widely as would be wanted. We, therefore, framed the Resolution which you see on the paper, namely :—

“ So far as local conditions permit consolidation of holdings should be attempted on a co-operative basis, but the general opinion is that co-operation alone without special legislation is not likely to be generally successful in bringing about consolidation on a large scale.”

The word “ generally ” implies that in many provinces at the present time and in the remainder of the provinces at a future time, when the possibilities of voluntary consolidation have been exhausted, compulsion will be necessary. For instance, some villages will give up the whole of their land for consolidation and will after discussion consolidate the whole land peacefully. In other villages you may find that all the landholders except two or three will agree, but the consolidation cannot be carried out really successfully unless all the landholders in the village consent. In such a case it might be desirable to have some means of coercing the two or three recalcitrants to give up their lands, and the only way in which that can be done is by some form of legislation. In other provinces on the other hand where the difficulties are great, it may be necessary to try and coerce a majority of the landholders. But I think we agreed that the Royal Commission were quite right in laying down that before any coercion could be applied there should be willingness to consolidate on the part of a very large majority of the landholders who owned also a major part of the land. I therefore put the Resolution before the Conference in the hope that it will be passed.

Mr. Abdul Majid Khan (Jammu and Kashmir) : I second this Resolution and I might be allowed to say that I have some practical experience in this matter. In the State of Jammu and Kashmir consolidation of holdings has been completed in 75 villages, chiefly in villages where good co-operative societies existed. In villages where there were no factions and party spirit it was possible to do the work, and my estimate is that by means of co-operation alone we cannot complete the consolidation of more than one-fourth of the villages in the State, comprising not more than one-tenth of the total area. The time is bound to come when the villages in which factions are rampant can only be settled by means of some form of legislation. I therefore second the Resolution. I think that consolidation should as far as possible be done by co-operation and when it can no longer be done by co-operation then some legislation will of course be necessary sooner or later.

Mr. R. J. S. Dodd (Punjab) : I forgot to mention that in connection with the wording of the subject—“ Should consolidation of holdings be attempted by co-operation or by legislation ”—my own opinion, and I

think the opinion of all co-operators is, that once any form of coercive legislation has been applied to a village, then the Co-operative Department should withdraw altogether and leave it for some other Department to carry on the work with their own staff, because co-operation precludes the possibility of coercion from outside. The members of a society are quite at liberty to coerce one of their own members who has voluntarily submitted himself to the rules of the society, but once the question arises of coercing somebody who is not in the society, then the Co-operative Department can have nothing more to do with that particular village.

Mr. P. M. Khareghat (United Provinces) : Is it the intention that co-operation alone without subsequent special legislation is not likely to be generally successful ?

Mr. R. J. S. Dodd (Punjab) : Both methods can go on concurrently. You may have one village consolidating itself voluntarily, while next door to it there may be another village in which you find you cannot have consolidation without legislation for coercing it.

Mr. P. M. Khareghat (United Provinces) : My point is that I have some experience in my province of consolidation having been affected by the influence of the Collector. I have seen the result. Some men have profited ; some men have been absolutely ruined. That is what I wish to guard against. If from the beginning you attempt to apply compulsion before we ourselves have studied the best method of doing the work there is bound to be grave injustice. What I mean is that we should certainly try co-operation in the first instance. Let co-operation be tried generally throughout the province or in whatever area may be selected, and only after we have gained experience of the best method of doing the work should legislation be resorted to and not before.

Mr. R. J. S. Dodd (Punjab) : That is a matter for the provinces.

Mr. M. L. Darling (Punjab) : It may interest the Conference to know exactly what has been achieved in the Punjab up to date, as the Punjab is, I think, the only province in which anything considerable has so far been done. In the first 7 years of our work we were only able to consolidate 98,000 acres, which shows that even in the Punjab, where conditions are perhaps more favourable than in other provinces, the work must proceed initially with great slowness. I mention that in order that you may not be discouraged, if you decide to start on co-operative lines and find the work proceeding slowly. Last year with a larger staff we were able to consolidate 64,000 acres—although in the previous 7 years we were not able to consolidate more than 98,000 acres. There were special reasons for this—one block of work, which was being done under particularly favourable circumstances, was brought to a conclusion. But even allowing for that, opinion is unanimous that the work is gathering momentum. That is one point I should like to make.

Another point is that it is expensive work. Consolidation this year will cost Government about one and a half lakhs ; for we are now employing a larger staff consisting of 115 sub-inspectors and 8 inspectors. But though the cost may seem large, it is as nothing compared with the advantages which are accruing in the villages which have been consolidated. How manifest these advantages are becoming will be clear from the following instance. Recently in a village in Jullundur two men

refused to have their lands consolidated, and all through the initial proceedings did their utmost to obstruct. However, the villagers were determined that their fields must be consolidated and at last decided to leave out the fields of these two men. A scheme was prepared leaving them with their fields scattered in 20 or 30 plots round the village and was on the point of being carried into effect when these two men suddenly realized that an immense advantage was going to be conferred on the village and that they were not to share in it. They then entirely changed their attitude and went 17 miles on foot, not once but again and again, to persuade those concerned to try and get the scheme redrafted. It has now been decided to redraft the scheme on condition that they deposit the cost in the Central Bank, and this they have done to the tune of Rs. 180. I mention that to show you how great the advantages of consolidation are ; but at the same time the work is slow. I should like to support what Mr. Khareghat said as to the advisability, if possible, of starting on co-operative lines, because there is no doubt that at first the minds of the villagers are very much opposed to anything so radically new as redistribution of land. No attempt should be made to coerce a majority, for even if an attempt were made to coerce 20 to 10 per cent., we might at the outset find the results very unsatisfactory. If we start on co-operative lines, we can familiarise the peasant with the advantages of co-operation. I can quite understand that consolidation done at the instance of a Collector, as in the case quoted by Mr. Khareghat, might lead to difficulties as compared with the system which we practise, which is that every one concerned must agree to the arrangement. And in the districts where this work has been carried on longest we have now got to the point of considering whether we are not in a position to coerce, say, 5 or 10 per cent., and we propose trying the experiment of doing this through the society, the members of which all bind themselves to accept any arrangement made by the majority. But we only propose doing this when 90 per cent. of those concerned agree to the arrangement and their land embraces 75 per cent. of the land under consolidation. That we consider to be the next step, and possibly later on we may think it necessary to legislate. Of course the great disadvantage of our method is the pace, which is slow. Against that you have to set the great advantage of getting so difficult and delicate a piece of work done to the complete satisfaction of all concerned.

The Resolution was put and adopted.

XXIII. "*How can the Co-operative Department best take up the work of village reconstruction with a view to improving—*

(a) *sanitation,*

(b) *the position of women,*

(c) *the condition of the depressed classes, and*

(d) *the amenities of village life ?*" (Item 25 on the Agenda.)

Mr. K. P. Pande (Central Provinces) : The Resolution we have framed is as follows :—

"Rural reconstruction must be carried on, so far as it is to be done by the Co-operative organisation, by special societies for the purpose to be kept entirely distinct from credit societies.

“ The propaganda of all other departments whose activities affect village life should be done through the Co-operative organisation or supplemented by the co-operative organisation.

“ Special societies may be formed to facilitate carrying out the policy and recommendations of those departments.”

Sir, in framing this Resolution the sub-committee had in mind three things. The first is that there should be all-round effort on the part of the departments that are engaged in rural reconstruction work. Our second assumption is that the necessary funds will be available in all the provinces. The question of rural reconstruction is one of revenue and funds, and we have presumed that there will be no difficulty in getting such funds. Thirdly, Sir, we have presumed that an amply qualified staff will be available at the disposal of the co-operative societies. These are three big things, but we have presumed that these facilities will be available to us. If these are given to us, then we can supply the driving power and can very well do this work.

Mr. R. Vaidyalingam Pillai (Travancore) : I second the Resolution.

Mr. K. H. Ramayya (Mysore) described the work done in Mysore in regard to the alleviation of the condition of the depressed classes and said :—

I want to amend this Resolution and to add a fourth sub-paragraph as follows :—

“ Depressed class colony societies with an initial grant by Government should be started wherever land is granted free or at a concession rate by Government to landless people of the depressed class in order to improve their condition.”

Mr. K. P. Pande (Central Provinces) : No, Sir. My reason for rejecting this amendment is that various provinces may have their own lines. The Central Provinces may not like to act on the lines suggested. There the condition of the depressed classes is not so bad as it is or as it may be in Mysore. We believe in helping them in solving their own difficulty instead of spoonfeeding them, the result of which is unfortunate. If you give them something which they do not want to work, it results in a failure.

Mr. H. M. Hood (Madras) : The specific point, Sir, in subject No. 25 is “ How can the Co-operative Department best take up the work of village reconstruction ” and the general idea of the Sub-Committee in framing the resolution—I think I am right in saying—was that it would be best to pass in regard to all the four points referred to in the subject a perfectly general resolution without any specific reference to either the four points before them or the conditions which vary very greatly from one province, from one State, to another.

Mr. K. H. Ramayya (Mysore) : I want special mention to be made of depressed classes, whose condition is deplorable. We must lend a helping hand to the depressed classes.

Mr. H. M. Hood (Madras) : I quite agree, Sir, with everything that Mr. Ramayya says with reference to the deplorable condition of the depressed classes, but I think that the matter is adequately covered by the

general nature of the resolution. Every Registrar agrees with Mr. Ramayya and I am quite sure that every Registrar will carry out this recommendation. I do not think the amendment is necessary.

Malik Noor Muhammad Khan (Punjab) : Since the experiment made in Mysore is a success, I heartily support my friend's amendment.

Mr. M. L. Darling (Punjab) : I must confess that I have a doubt whether this resolution has not been framed in somewhat too general terms. Rural reconstruction is a very wide term and includes almost all our activities. The object of the resolution is perfectly clear ; at the same time we should make it as precise as possible. I should not like to commit myself to a resolution which would debar us from combining credit with perhaps a bye-law for reducing expenditure on marriage, or for pitting manure, etc., and that is what this resolution does. If we cannot make the resolution precise, we should omit the words " to be kept entirely distinct from credit societies." In the Punjab we have over two hundred societies whose main object is to reduce social expenditure on marriages, funerals and birth ceremonies, but the tendency now is to widen the scope of these societies and to include sanitation in them. We have special societies for improving the condition of women, and we have special societies for depressed classes. On the other hand, we have societies which admit the depressed classes ; we have indeed many societies whose officers are members of the depressed classes. I feel a difficulty in suggesting a resolution which will cover all these activities without excluding any of them.

Mr. K. P. Pande (Central Provinces) : I do not accept the amendment.

Mr. H. M. Hood (Madras) : I am personally strongly opposed to the deletion of these words. I think it is entirely undesirable that any other forms of non-credit activities should be combined in a credit society.

Mr. M. L. Darling (Punjab) : A credit society is itself a part of the whole scheme of rural reconstruction which you say must be carried out by a society distinct from a credit society. It is to that that I object. Further, though what we call ' better living ' is almost entirely done by *ad hoc* societies, a number of credit societies are attempting to do something of the same kind by introducing a moral bye-law.

The Chairman : Will you accept an amended resolution like this :

" Rural reconstruction should preferably be carried on so far as it is to be done by the co-operative organisation by special societies for the purpose."

Mr. M. L. Darling (Punjab) : I suggest the addition of " With a view to improving sanitation, the position of women, the condition of the depressed classes and the amenities of village life " after the words " Rural reconstruction " at the beginning of the resolution.

The Chairman : The amended resolution is :

" Rural reconstruction with a view to improving sanitation, the position of women, the condition of the depressed classes and the amenities of village life should preferably be carried on so far as it is to be done by the co-operative organisation by special societies for the purpose."

Mr. K. H. Ramayya (Mysore) : Sir, it is a question of deep concern for millions of people. I do not like the spirit with which my resolution is taken by this Conference. I ask the Members to consider the millions of people without education, without land, in deep poverty, superstition and ignorance. Some special grant should be made to the depressed classes and concession from Government must be asked to uplift these poor people. I wonder at this attitude. My amendment is for the addition of the following :

" Depressed class colony societies with an initial grant by Government should be started wherever land is granted free or at a concession rate by Government to landless people of the depressed classes in order to improve their condition."

Mr. M. L. Darling (Panjab) : Will it suit my friend from Mysore if we pass the general resolution so far as sanitation, the position of women and the amenities of village life are concerned and pass a separate additional resolution in regard to the position of the depressed classes ?

The Chairman : We are considering specially the depressed classes. Your amendment is really out of order. Mr. Hood has drafted a resolution which will probably cover all points.

Mr. H. M. Hood (Madras) : The resolution I suggest is this :

“ Depressed classes should not be excluded from general societies and special societies for them should only be formed when it is not practicable to include them and when societies are required for other special purposes not included in the functions of the ordinary village society, with, if necessary, special assistance from Government.”

Rev. Mr. Hodge (Bihar and Orissa) : I second the resolution.

The resolution was adopted.

XXIV. “ *Are the powers of Registrars for controlling societies adequate ?* ” (Item 26 on the Agenda).

Mr. H. M. Hood (Madras) : It was a subject, Sir, which led to a long discussion and we had some difficulty in arriving at a resolution to which all the members could agree. The difficulty arises from the fact that the existing powers of Registrars are not uniform. They are provided for, in the first place, by the Act itself, and to that extent of course they are the same wherever the Act applies. But there are a number of other powers taken by the statutory rules under the Act and these vary considerably from one province and one State to another. We therefore considered what powers were necessary under the rules in very general terms and suggested that the Act should be amended to provide for additional powers on two points only. The resolution we framed, therefore, reads as follows :—

“ The powers of Registrars should be adjusted according to the requirements of each province by modification of the rules under the Act.”

Had we gone in detail into what additional powers might be necessary in each province to bring them into line, it would have involved a resolution of considerable length. We did not think it was necessary to go into that question. The resolution continues :

“ In addition it is desirable to amend the Act to provide for—

(a) Power to levy costs of arbitration,

(b) Power to revise arbitrators' decision or awards *suo motu* or otherwise.”

The power to levy costs of arbitration has, we believe, been taken by rules under the Act in one or two provinces, but as a matter of fact in Madras we have been advised that that is illegal and the same applies to appeals or revision of arbitrators' decisions. We have suggested the power to revise awards rather than merely power of appeal, because on several occasions the question has arisen that an incorrect award has been passed and no appeal has been filed ; and it seems therefore desirable that arbitrators' awards should be revisable by the Registrar either on his own motion or otherwise. Appeals have, I think, been allowed by one or two provinces, but there we have been advised by the Advocate General that such a rule could not legally be framed under the Act as it stands and that, Sir, is the reason for these recommendations.

Khan Bahadur Hemayat-uddin Ahmed (Bengal) : This gives very wide powers which even the High Court has not got. The Government is empowered to make rules and under that rule a power of appeal has been given in Bengal to the Registrar. I think that is enough and now if the Registrar is allowed to revise the decisions of the arbitrators also, it would be giving too much power into the hands of the Registrar. As regards the power to levy costs of arbitration I cannot understand this. The cost is generally decreed by the arbitrator.

Mr. H. M. Hood (Madras) : There is no law under which he can decree it.

Khan Bahadur Hemayat-uddin Ahmed (Bengal) : If it is according to the Civil Procedure Code I don't know how he is not allowed.

Mr. H. M. Hood (Madras) : There is no provision of law under which it can be done. That is why we have come up with this proposal.

Khan Bahadur Hemayat-uddin Ahmed (Bengal) : However, this proposal requires much consideration and I object to (a) and (b) for my part.

Mr. C. W. Dunn (Burma) : I agree to the opposition.

The Chairman : He is not opposing the motion but wants to amend it by leaving out these two powers.

Mr. C. W. Dunn (Burma) : My objection is based on a good many years' experience as a Registrar. I think if people are allowed to appeal in this unlimited way all cases will come to the Registrar and he will be overworked. I do not see any justification for departing from the general principle that a decision by arbitration is final. The Civil Courts, I understand, interfere with arbitration awards only under certain particular conditions when the award is contrary to law, and I think the Registrar ought not to be required to try again cases that have been decided by arbitration.

The Chairman : Mr. Hood, I think the first part of your Resolution will serve your purpose and you might agree ?

Mr. H. M. Hood (Madras) : May I reply, Sir. The whole object of our resolution is to make the levy of the costs of arbitration legal. It does not affect the fact that they are levying costs for arbitration. But the legal advice we have had is that the levy of arbitration costs under the law as it stands is not justified, and it is in order to legalise that position that this part of the Resolution has been put in. And with regard to the power of revising arbitrator's decisions, our experience has shown very strongly that it is necessary to have some power of revising or altering the awards passed by arbitrators. The arbitrators are in many places people of the village with comparatively small knowledge of law. In other places they are expert lawyers, but the decisions are not invariably either correct or just. Cases have come to my notice where people who have not been members of a society have had an award passed against them and their property has been sold up on the assumption that they were members of the society because somebody else forged their names in the membership list. A number of cases have come to our notice where it was desirable to provide for such alteration. Several provinces have already decided that an appeal to the Registrar is desirable.

We have suggested in sub-committee that the matter should not be confined to appeal because there are many cases in which the villager will sit down under an injustice and will not appeal, while if it came to the notice of the Registrar and he had the power he would certainly put the matter right. I suggest therefore that the power should not be a power of appeal which might possibly encourage people to appeal on every possible occasion but should be a power of revision and that that power of revision should be exerciseable not only on petition but also on the Registrar's own motion if he saw fit to use it. With regard to the difficulty raised by the hon'ble gentleman who proposed the deletion, I think there is a clear guarantee that this power is not going to be abused because no Registrar is going to go out of his way to make more work for himself than is absolutely necessary.

The Chairman : I think the general consensus of the Conference is to accept the resolution as drafted.

Many delegates : Yes.

Mr. C. W. Dunn (Burma) : I oppose this still.

The Chairman : But you are outvoted. The general sense of the Conference is in favour.

Mr. Dunn : The objection has been moved and seconded and I suggest that it should be put to the vote.

On a show of hands the original resolution was declared carried, Mr. Dunn and Khan Bahadur Hemayat-uddin Ahmed voting against it.

XXV. Are Co-operative Societies for a single purpose to be preferred to multiple purpose societies ? (Item 27 on the Agenda).

Mr. K. H. Ramayya (Mysore) then moved the following resolution :—

“ Single purpose societies are to be preferred, but rural credit societies can undertake joint purchase and distribution of agricultural requirements where conditions require it.”

Sir, it is difficult to get an intelligent committee of management even for a single purpose society, and it is not reasonable to expect to form societies with the same members on the committees of management. In such cases supply of agricultural implements, seed and manure can be conveniently entrusted to the society but separate accounts kept for each branch of activity. In larger villages it may be possible to adopt the other method, but the general rule should be one society for one purpose. With these few words I commend the resolution to the Conference.

Mr. Qudrutullah (N. W. F. P.) : I second the resolution.

Mr. P. M. Khareghat (United Provinces) : As Mr. Darling pointed out, we may require to combine credit societies, village societies, with rural instruction and so on ; and we cannot possibly accept this resolution.

The Chairman : Single purpose societies are to be preferred, they say. They don't compel you to have single purpose societies. I suppose the general sense of the meeting is to accept this resolution. The resolution is carried.

Chairman's concluding remarks—

Gentlemen, we have come to the end of our labours and on my behalf as well as on behalf of the Secretary, Mr. Darling, I would like to offer our apologies for the imperfection of the arrangements. I was elected President at a moment's notice and Mr. Darling had no men under him here to whom he can give orders. I am sincerely sorry for all the inconveniences which you have suffered ; and at the same time I am very grateful to all of you for the assistance you have rendered to me in bringing the Conference to a successful termination. Expedition and harmony have been the main characteristics of this conference, though I believe we have not missed any single point of importance in any of our discussions. On your behalf I would specially like to thank Mr. Darling, Mr. Collins and Mr. Hood, conveners of the three sub-committees, without the able spade work which they did in sub-committees it would not have been possible for us to finish successfully the work of the conference within such a short time. The ability shown by Mr. Hood in drafting has been of the greatest assistance to the conference and we may particularly recommend to the Government of India that Mr. Hood be placed in charge of the drafting sections of the Government of India. I do not wish to trouble you with lengthy concluding remarks but at the same time I would like to warn against two or three tendencies which are becoming manifest. The first is the invasion of a commercial spirit into the management of our apex and central institutions. The second is the wrong use of the expressions " officialisation of the movement and non-officialisation of the movement." I would ask you to remember that officials are here as co-operators, and I believe that most of the non-officials are here as co-operators also. As regards the future guidance of the movement the question is not officialisation and non-officialisation of the movement, but the great question is the democratisation of the movement, that is to say, how to hand over the guidance of the movement to the very persons for whom the movement is intended. We often forget that. Some non-officials come and say " we ought to de-officialise the movement ". But do they ever come and say " We want to develop village leadership and we want to hand over the movement to the people of the country itself for whom it is intended " ? Non-officials are apt to look upon themselves as trustees of the movement and so far as surrender of power is concerned they often take up the same position as officials. It is as much difficult to wean away from officials an institution once entrusted to their care as it is from non-officials when they run a movement on behalf of others. With these few remarks and again thanking you for the honour you did me by electing me as your President and for the great assistance you rendered to me in bringing the conference to a successful termination, I wish you

Mr. M. L. Darling (Punjab) : Sir, I must thank you very warmly for associating yourself with me in the defects, for which if any one is responsible I alone am responsible. I must ask you, gentlemen, to forgive me for those defects, which I am afraid some of you have felt rather acutely. But at the same time I would ask your indulgence because this Conference was brought together at very short notice. Further, when it met it had no President and I have no office here. At the same time I am only too conscious that many of you have been put to inconvenience and for that I express my heartfelt apologies.

If I may do so, I should like to move a vote of thanks to our President for the very able, courteous and patient way in which he has presided over this Conference. When occasionally it has shown a slight spirit of contention, it has always been brought back to harmony by his suavity and tact. My only regret in his being elected President is that he has been debarred by his office from taking as vivid and personal a part in our discussions as he might otherwise have done.

Mr. K. H. Ramayya (Mysore) and Mr. Reddy associated themselves on behalf of their brother delegates with the vote of thanks to the President, and the Conference then dispersed.

APPENDIX I.

Resolutions passed at the Conference.

1. "The Conference entirely endorses the Resolution passed by the Conference of Registrars in 1926 in favour of the establishment of Land Mortgage Banks." (Item 1 of the Agenda). (Cf. page 23 *ante*.)

2. "The Conference is of opinion that Land Mortgage Banks should be established under the provisions of the Co-operative Acts now in force in British India." (Item 2 of the Agenda). (Cf. page 19 *ante*.)

3. "A nominee of Government is necessary on the Managing Committee of a Primary Land Mortgage Bank, except where the interests of Government and debenture holders are sufficiently safeguarded by the appointment of a trustee acceptable to Government." (Item 3 of the Agenda). (Cf. page 19 *ante*.)

4. "Government assistance to Land Mortgage Banks in the form of subscriptions to their debentures is recommended while these banks are in their early stages, and assistance is also recommended in the form of loans." (Item 4 of the Agenda). (Cf. page 20 *ante*.)

5. "The guarantee of interest on the debentures of Land Mortgage Banks is the most suitable form in which assistance can be given by Government." (Item 5 of the Agenda). (Cf. page 21 *ante*.)

6. "Land Mortgage Banks provide a suitable agency for the distribution of loans under the Land Improvement Loans Act if special loans are required by these banks for the improvement of their members' lands; but such loans should be given at a more favourable rate of interest than the rate charged from individuals." (Item 6 of the Agenda). (Cf. page 22 *ante*.)

15. "The Conference is of opinion that Agricultural Societies should be permitted to take full advantage of the facilities afforded by treasuries and sub-treasuries for the transfer of funds and the limit prescribed should be relaxed." (Item 15 of the Agenda). (Cf. page 47 *ante*.)

16. "The Conference is of opinion that while the appointment of a Deputy Director of Agriculture to assist in developing the various agricultural activities of the Co-operative Department may be necessary in some provinces, it is not generally needed at present, and that the appointment of subordinates who have agricultural degrees and experience under the control of the Registrar is more important." (Item 16 of the Agenda). (Cf. page 7 *ante*.)

17. "The report of the sub-committee appointed by the Conference on the subject be accepted." The following is the report of the sub-committee :—

"Outside Madras all that the Co-operative Departments have so far done is to assist the Agricultural Departments in distributing seed through the primary societies. Except in the case of a few cotton sale societies in Bombay, the Agricultural Departments grow the seed or arrange for it to be grown and hand it over to primary societies, in some cases getting the seed back at harvest with profit. In Bihar and Orissa the central banks, of which there is one in practically every sub-division of a district, take over the seed at harvest, store it, and distribute to their societies, and Government has employed staff to assist in the distribution and made interest-free loans to admit of godowns being erected. On the whole, little has been done. The Agricultural Departments, except in the Central Provinces where there are 66 seed supplying societies, merely deal direct with village credit societies, and no further organisation has been worked out. In Madras two steps in advance have been taken. In the first place, the Agricultural Department deals with supervising unions of 25 societies instead of with the individual societies direct, and secondly, special seed producing societies have been formed the members of which take loans from central banks and grow seed under strict supervision for the Agricultural Department for whom they make it over to the local unions. The organisation is in its experimental stage at present, but seems to be working all right.

The Sub-committee after reading the Commission's views and hearing the position in each province and State was impressed with certain points :—

- (a) The Agricultural Departments cannot every year grow all the seed required by all the cultivators in the province. All they can do is to arrange for or encourage the production of sufficient pure seed every year so as to keep the level of the whole supply up to standard.
- (b) Again, unless the seed is produced in a large number of places in each district, the cost of carriage will make the cost of the seed so high to many of the cultivators as to make its use uneconomical, or at any rate, much less attractive.
- (c) What is essential is that the seed should be grown under strict supervision with profit to the grower at a price which the cultivator can and will pay. It is obvious that in most of the province the

problem has not yet been seriously tackled. It is only in Madras that a possible solution of the difficulties of finance and organisation seems to have been discovered. It is too early to say whether it will prove successful, but at least it deserves consideration and trial in other places also." (Item 17 of the Agenda). (Cf. pages 8-9 *ante*.)

18. "The Conference is of opinion that it is possible to secure close co-ordination between the Departments of Co-operation and Agriculture by the formation of societies for the encouragement of better farming or by the utilization of existing societies. The Conference would bring to the notice of local Governments the success achieved in some provinces by local joint development boards in which the Departments of Co-operation and Agriculture are represented by their respective local officers. Lectures from officers of the Agricultural Department at meetings of societies and unions are also a promising method."

"The Conference is of opinion that there are not sufficient data before it to come to any conclusion as to how far it is possible to secure co-ordination between the Departments of Co-operation and Agriculture in respect of grading and standardisation of produce, but in the case of cotton such co-ordination may be possible if expert agricultural advisers are employed." (Item 18 of the Agenda.) (Cf. page 14 *ante*.)

19. "The Conference is of opinion that it cannot accept without qualification the statement that the supervision by Central Banks has proved a failure, and thinks that in some areas where the system has been found to be workable the system of supervision by Central Banks should not be condemned provided the Central Banks are both co-operative in character and efficient." (Item 19 of the Agenda). (Cf. page 30 *ante*.)

20. "This Conference considers that supervising unions formed by the federation of primary societies are of great value, where conditions are suitable and other satisfactory arrangements are not already in existence, inasmuch as an organisation of this kind seems to be one of the most promising ways to increase co-operative knowledge among members of societies and to give the leading members of societies a wider outlook." (Item 20 of the Agenda.) (Cf. page 32 *ante*.)

21. "This Conference agrees that education and supervision are of the highest importance, and is of opinion that Government should, where necessary, make substantial contributions towards the cost of education and supervision, especially in backward tracts and for societies among women and the backward classes. At the same time, it sees no reason why where audit is given free, this privilege should be withdrawn, or where subsidies are given for audit, these should cease to be paid. In provinces where no contribution is now made, the Conference sees no objection in principle to the Government making any contribution required to make it efficient." (Items 21 and 22 of the Agenda.) (Cf. page 37 *ante*.)

22. " This Conference insists on the necessity of proper educational qualifications for all new appointments and also emphasizes the importance of the training of probationers and the existing members of the Co-operative staff, and that the example of the Punjab in developing a very high standard of excellence should be followed by all other provinces. (Item 23 of the Agenda.) (Cf. page 41 *ante*.)
23. " The Conference accepts the following report of the sub-committee:—"So far as local conditions permit, consolidation of holdings should be attempted on a co-operative basis, but the general opinion is that co-operation alone, without special legislation, is not likely to be generally successful in bringing about consolidation on a large scale." (Item 24 of the Agenda.) (Cf. page 48 *ante*.)
24. " The Conference is of opinion that rural reconstruction with a view to improving sanitation, the position of women and the amenities of village life should preferably be carried on so far as it is to be done by the co-operative organization by special societies for the purpose."
- ' The Conference is of opinion that depressed classes should not be excluded from general societies, and that special societies for them should only be formed when it is not practicable to include them and when societies are required for other special purposes not included in the functions of the ordinary village society, with, if necessary, special assistance from Government." (Item 25 of the Agenda.) (Cf. pages 52 and 54 *ante*.)
25. " The powers of Registrars should be adjusted according to the requirements of each province by modification of the rules under the Act."
- " In addition it is desirable to amend the Act to provide for—
- (a) Power to levy costs of arbitration,
 - (b) power to revise arbitrators' decision or award *suo motu* or otherwise." (Item 26 of the Agenda.) (Cf. page 54 *ante*.)
26. " The Conference is of opinion that single purpose societies are to be preferred, but that rural credit societies can undertake joint purchase and distribution of agricultural requirements where conditions require it." (Item 27 of the Agenda.) (Cf. page 56 *ante*.)
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APPENDIX II.

Mr. B. A. Collins' note on the Supervision of Primary Societies.

(Item 19 on the Agenda.)

In paragraph 377 of their report, the Royal Commission on Agriculture in India, remark as follows :—

“ The attempt to devolve the work of supervision on central banks has proved a failure, and we consider it desirable that finance and supervision should be under separate control. Financial perfection is not the main object of co-operative effort and the work of village societies cannot be judged solely by their relations with their financing agencies. In certain areas, inspectors are sent out by the provincial or central banks to examine the working of primary societies, and it is not intended to discredit this practice. The duties of these inspectors should be clearly defined and they should be strictly confined to them ; their training and education should be such as to fit them for the efficient discharge of those duties and should not be of a lower standard than is demanded from officials.”

It is difficult to understand on what grounds the Royal Commission has come to this conclusion. It is true that in two provinces, in which the system of inspection and control by central banks has been followed, the condition of the movement has caused some anxiety, and in one of them the state of affairs was at one time so bad that it might almost have been described as a collapse. But in two other provinces, where the opposite system prevails, the state of the societies has also caused anxiety, and in one case has led to the appointment of a special committee ; and a careful examination of the systems followed in the various parts of India and the present condition of the societies seems to show that their state is due not so much to the systems followed as to the manner in which they have been carried out. It is, of course, a *sine qua non* that audit should be entirely separated from finance, that is, that societies should be audited by an agency entirely independent of that responsible for advancing money and collecting it, and it seems best that the auditing agency should have no further duty beyond explaining at a general meeting of the society the defects in its working which have come to light in the course of audit and the true principles on which the society should conduct its business. But it is difficult to see why education and supervision should be taken out of the hands of the financing agency. It is true that “ financial perfection is not the main object of co-operative effort ”, but the surest guarantee which a financing agency can have that its investments are safe, and that its money is repaid with interest and principal on the due date, is that primary societies affiliated to it, should be, in the highest sense of the word, efficient. The more the members understand the principles of co-operation, the greater the interest they take in the working of their societies, the better their education, the better their agriculture, the better their “ living ” and “ business ”, the better the security the financing agency has for its advances.

Thus the central bank, whatever its constitution, has a purely selfish reason for improving the working of its societies in every sphere. But, in addition, if a central bank or a central banking union is organised on co-operative principles, it must have a real abiding interest in the fortunes of its constituents. The most common form of a central financing agency has been one in which the share capital is held partly by individuals resident in the area, and partly by the constituent societies. In its earlier stages, the influence and interests of the individual shareholders, who are not always attracted by the movement except as a means of investment, have sometimes been predominant ; but as the movement progresses, the bulk of the share capital and voting power passes into the hands of the societies themselves, and the interests of the central bank gradually become more and more identical with those of the constituent societies, while the influence of the individual shareholders tends to become smaller and smaller. It is difficult to see why a central financing agency of this kind should not undertake the organisation and supervision of societies and the education of their members. Further, the tendency is more and more for the financing agency to become a true union of the societies by the elimination of the individual shareholders or by the organisation of new financing agencies, in which there are either no individual shareholders or are only a few who work more or less actively in the cause of co-operation. In practice, in every type of primary society, the thread of finance is inextricably woven throughout its whole fabric. The assessment of credits, the giving and recovery of the loans, improved agricultural practice, the starting of schools, in a word the prosperity or the failure of the society and its individual members are all more or less matters of rupees, annas and pies. The basis of co-operation is good business. Its spirit may be moral but the body is material, and without a sound body the spirit cannot live. It passes the wit of man to divorce the spirit from the body without results fatal to the whole organism. If the co-operative society is to be treated as a living entity, it must be treated as a whole. If there were anything antagonistic between the interests of the financing agency and its affiliated societies, there would be strong arguments in favour of the separation of finance and supervision. As there is no such opposition either in theory or practice, the separation cannot be justified on *a priori* grounds.

Apart from this, in some provinces the system is working quite satisfactorily. Nowhere is the movement without its defects, and if there have been faults and mistakes in the working of one system, so have there been in working the other. Success for one or the other system has been due, to a great extent, to the human material available both in the primary societies themselves and in the gentlemen of education and leisure able and willing to help in the work of supervision. If the results in the various provinces are compared, it will be seen that the character of the individual member, the general standard of education, the revenue system, and the extent to which public spirit prevails among the educated classes, have all had their influence on the progress of the movement. Any one who has got practical experience of village societies, or indeed of any society, is aware that the personal equation is the most important of all. In some parts of India, the peasantry are self-reliant and accustomed to joint action. In others, they are depressed or hopelessly divided by factions. It is these and similar factors that play the greatest part in the success or the failure of the movement and not the system of supervision or financing that has been adopted.

Apart from local difficulties or specially favourable circumstances, mistakes in administration have been greatly responsible for such failures as have occurred. Where audit has not been separated from finance, where the inspecting staff has been insufficiently trained, where the central banks have been allowed to appoint whom they please to supervise the societies or to manage their banks, where the independent existence of the societies has been neglected and insufficient attention paid to the education of the members and the proceedings of the society, or where more or less complete control has been handed over to non-official agencies, before the societies were ready for it or there were sufficient persons with experience and business knowledge to undertake so great a responsibility, the results have been more or less disastrous. As the Royal Commission points out, the first essential is that any one employed for the supervision of societies should be properly trained for the purpose. The same applies to the management of central banks and their offices. The system of licensing, which for some time to come, in most provinces, at any rate, must remain in the hands of the Registrar or his deputies, is essential. With a properly trained staff, there is no reason why the central banks should be any less successful in supervising their affiliated societies than local unions formed for the purpose or a Government staff. In any case, the higher supervision is and must remain in the hands of the Registrar for many years to come, and if he has control over the staff employed for supervising and instructing the societies by means of the licensing system, he will be able to enforce proper supervision just as well as by any other method. Certainly the system of local unions seems no better. The great defect of the local union is that it has no material interest to bind it together, and that is why it so often fails to function properly. The guarantee union *has* this nexus, and so has succeeded where it has been properly understood and worked ; but the success of a mere supervising union seems about to presuppose that state of affairs which it is to bring about, in other words, they are more likely to succeed where the members of societies are educated and intelligent and understand the principles of co-operation and the working of their bye-laws. The central bank has this one great advantage over a supervising union, *viz.*, that it has a strong material interest in the affairs of its societies, and it is just because it has got this strong material interest that it is likely to succeed where the latter fails. By its sympathetic insistence on the promptness of repayments and by the light touch of what Mr. English used to call " money whip ", it is able to enforce compliance with its reasonable demands, as a condition of a further supply of funds. Local unions have their use and the day will come when they will display a real co-operative life ; but, for the present, they should rather be as it were lieutenants or deputies of the central bank in its most intimate relations with the societies.

The conclusion is that central banks and banking unions are theoretically the best means for the supervision and education of societies. This does not, of course, mean that this method should be followed everywhere. Their success depends to some extent on the type of directors that they have and to some extent on the size of the area which they serve. Where, as in some provinces, members of the Bar are willing to give up time and energy to the management of the bank and the supervision of societies, and where small land-owners living in their villages away from the central town can be interested in the movement, they form the ideal directors. The development of guarantee unions and possibly other types of unions will often bring to the front highly intelligent cultivators who exercise the

greatest influence for good on their surrounding societies and are able, after a few years, to understand the working of the central bank. In some provinces and Indian States, it may be very difficult to secure men of this type, and this may make the adoption of different systems inevitable. Again a central bank cannot properly supervise too large an area. It is essential that the members of the *Panchayat* should be able to visit the office of the central banks without difficulty or too great expenditure of time and money, and that the directors and staff of the bank should find it possible to inspect the societies without too much loss of time and energy. This means that one central bank cannot manage a whole district. For the success of the system, central banks must be formed at least one for each sub-division of a district and some times even for smaller units. This gives rise to difficulties, especially in the earlier stages, and in many places, the multiplication of banks may be impossible ; but in many places it is feasible, and where it is feasible, the results are often surprising, even if educated persons are not available. It is extraordinary what can be done by perseverance with central banking unions of the pure type. The writer knows of one or two such central societies, which were established in the early stages of the movement, and for a number of years functioned so badly as to cause despair to all concerned. Yet, in the end, these very societies, as the leading directors gradually obtained more experience, proved some of the most successful in the province. They have their faults like all central banks ; but, at least, they are very near to true co-operation.

Enough has been said to make out a strong case for supervision by central banks and central banking unions. It is not contended that the system is suitable in all circumstances and in all parts of India. Some provinces have adopted the other system and it seems to have suited them very well ; but that is no reason why they should condemn the alternative. The report of the Commission, especially in respect of co-operative matters, has been written under the strong influence of the Punjab. The success which that province has achieved, both in agriculture and co-operation, is admitted and admired by all ; but it is not the only province which has succeeded in these spheres, and the object of this note is merely to counter the view that the system which the report condemns is both theoretically sound and in practice has achieved substantial successes. It has the advantage of avoiding a large Government staff and the great danger of the " officialisation " of the movement. Progress in other provinces may be less rapid. All provinces were not equally stirred by the war or brought into contact with foreign countries. In some parts of India economic conditions and revenue laws are less favourable. The people often differ in physique and temperament from the hardy Punjab person. The recent history of democracy in Europe and Asia shows that free institutions of the same type are not necessarily suited to all races at all stages of development. Success in the management of their affairs depends on the people themselves, and it may be that here and there in India the people are not as ready as the Punjabi to take advantage of the co-operative principle. But in the long run time will show that the system of supervision by central banks and banking unions, where feasible, gives at least as good a training in the true democracy of co-operation as any other.

